

2011 ~
2012

SIYATHEMBA MUNICIPALITY ANNUAL REPORT



ANNUAL REPORT 2011 – 2012 -MUNICIPALITY SIYATHEMBA MUNISIPALITEIT

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Mayor's Foreword

Siyathemba Local Municipality consists of Prieska, Marydale and Niekerkshoop and is situated within the Pixley ka Seme District within the Northern Cape.

The Municipality proudly achieved to deliver running portable drinkable water into all its households, remove refuse as per a weekly programme, operate and maintain our sewerage and sanitation and provide for electricity and in partnership with Eskom throughout the entire year under review.

The majority of households enjoy the top end of services that is available in the Local Government sphere. All factors constant, there's nothing that could stop such a performance of service delivery and in the main a total collapse of service delivery is not foreseen.

As the case in all forms of life we faced challenges in delivery such a remarkable performance. In Marydale and Niekerkshoop water is supplied from bore holes which hamper the quality of service that can be delivered. By date of this report the readiness study in Niekerkshoop has been completed which find that sufficient water sources is available to improve the quality of services. However, the water readiness study in Marydale is about to start and we awaiting the outcome of it which will guide us into the future.

Also we want to acknowledge the funding made available by the Department of Water Affairs of R2.9m which assisted us in the buying of 2 sewer tanker trucks and the refurbishment of the sewer discharge points in all 3 towns.

Sourcing of proper refuse removal vehicles and equipment will enable us to improve this service category and the overall tidiness of our towns is negatively impact by illegal refuse dumping, at times by residents who can make alternative means. Very soon we will put across our municipal area signage indicating that it's illegal to dump refuse and where to do so.

Siyathemba Local Municipal manages to buy from won revenue service delivery vehicles which consist of a grader, roller and crane truck. Despite these additions our entire fleet is aging and needs to be replacing gradually over time.

Other back up measures include additional pumps and motors on a continuous basis in the water services departments to smoothen the effect of possible breakdowns.

We also need to indicate that we have one of the best water purifications plants which are running currently at a capacity of 4-5 mega liters per day of a total capacity of 15 mega liter per day.

Our ability to delivery sustainable electricity throughout our services area is stretched in the area of "Die Lane" and the Hospital due to network upgrades. Feedback on submissions for funding is that the Department of Energy is not having funds available to do the upgrades.

Other developments include the start of tarring of Wilger Street, the completion of the cemeteries in Marydale and Niekerkshoop.

Our licensed airfield is another development that we can be proud of and can come in handy in future to expand on our available modes of transport. Dirt road conditions into Niekerkshoop from Prieska remain a problem and many service delivery challenges has been reported.

Improved management of our commonage land is envisaged which is currently mainly occupy by our emerging farmers. Assistance to the emerging farmers can be strengthen and improve by getting in place proper lease agreements and an effective committees that oversee processed and protect the interest of both the Municipality and emerging farmers.

Mining of tiger eye on the commonage should be structured to derive better value for parties concerned.

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Prospect of delivery quality access to health services and the prevention of deceases are enhanced by the starting of National Health Insurance throughout Pixley ka Seme District. This too will lead to improved facilities at our clinics (2 Prieska, 1 marydale and 1 Niekerkshoop). Also staff shortages and the availability of medicines will be addressed. Child health care will receive a major boost by the introduction of primary health care services at our schools.

Our Administrative capacity to account for all the wonderful service delivery performance is lacking as indicated by the Auditor General for the past 8 years in receiving disclaimers as audit outcome.

Main areas of concern as highlighted by the audit are document control, absence of key personnel during the audit, lack of leadership and lack of consequences.

The process of appointing the Municipal Manager will be finalized by the end of February 2012, and thereafter The Corporate Service Manager, Senior Income Clerk and Administrative Clerk will be concluded as well. Our organogram is currently under review to address our skills base.

The Audit Committee will be set up in conjunction with the District and our Municipal Public Accounts Committee (MPAC) is about to start functioning.

The Municipality will be assisted by Local Government Turn Around Strategy team and is one of the 108 municipalities in the Republic identified to be assisted.

Supply Chain Management Unit will assist us in the way we do business on a daily basis and strengthen our document control deficiencies.

Our Debtors (clients owing money to Siyathemba Municipality) is increasing on a monthly basis. The credit control and debt collection policy has been gazette, and implementation is of paramount importance and other means of curbing this spiral debt needs to be investigated.

Overall the prospects for Siyathemba Municipality and South Africa look good as we are one of 5 municipalities earmarked for alternative energy development. The announcement of SKA in Carnarvon also further strengthens our economic outlook.

The abovementioned developments and others will need advanced skills. In order for us to be players in these sectors we will have to see more learners passing Mathematics and Science of which we currently don't. The reality is that we experience a decline in learners taking Mathematics.

Siyathemba Local Municipality is neither fearful, nor anxious about the unknown future because we know what we need to overcome and we have the people and other resources to do it.

Unity and stability and discipline and commitment by all our partners and stakeholders is needed is achieving it.

What seems impossible now is definitely possible.

Masupatsela! We chart a new course, we write a new story. (National Development Plan 2030, introduction).



.....
P. PAPIER
MAYOR

Overview of the Municipality

INTRODUCTION

In this chapter we briefly introduce the Siyathemba Municipality and the entire Municipal area. The Siyathemba Municipality is located within the Pixley Ka Seme District area (DC 9). Siyathemba is made up of three entities, namely, Prieska, Marydale and Niekerkshoop.

a. Prieska

Known to the locals as “the gem of the Northern Cape,” Prieska is the seat of the Municipality and it is situated 240km west of Kimberley on the N10 route and is located on the hills of the Doring Mountain on the south banks of the Orange River, with the following coordinates; Latitude = 22°43’02” and Longitude = 29°39’36”. It lies about 940km above sea level and is 180km from De Aar, the seat of the Pixley Ka Seme Municipality, and 294 km from Upington. Prieska is also almost in the middle of the Northern Cape Province. It was originally named *Priescab*, a Koranna word meaning “Place of the lost she-goat.”

Prieska, which is known for its semi-precious stones, was founded in 1882 and became a municipality in 1892. It used to be a fording place for travellers. Prieska used to be served by rail via the railway line between De Aar and Namibia. Light aircraft can be accommodated on their landing strip. Prieska is used to very hot summers and frosty winters with sunny days.



b. Niekerkshoop

This town is 63km from Prieska on the other side of the Orange River on the route to Griekwastad.





c. Marydale

Established in 1903 by the Dutch Reformed Church, Marydale was named after the wife of Mr. G. P. Snyman, owner of the farm Kalkput on which the town was laid out. Snyman donated the farm and Marydale was subsequently founded as a church town. This town is approximately 70km northwest of Prieska and about 20km from the Orange River. Marydale is 175km from Upington and is mainly dependent on farming, agriculture and a rich underground water source that serves the town by means of boreholes and wind pumps.

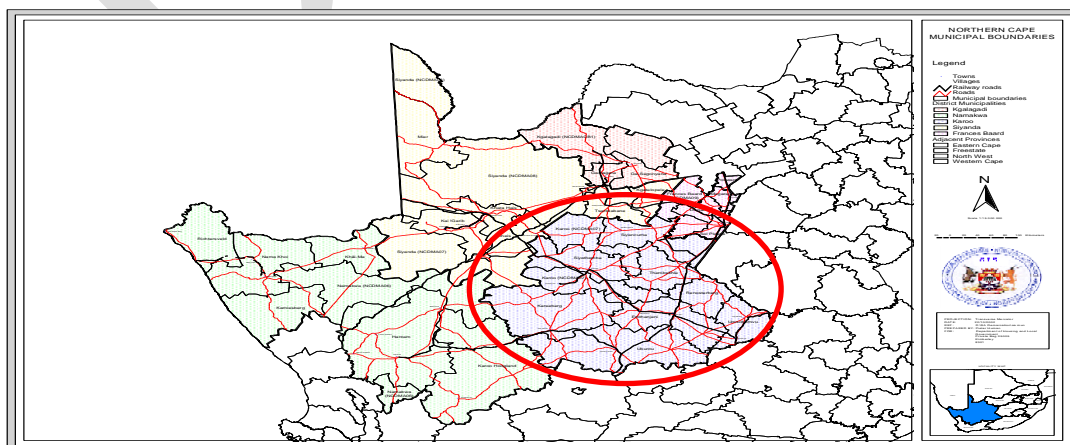




District Setting

Siyathemba Municipality is part of the Pixley Ka Seme District in the Northern Cape Province in South Africa. The district area is located in the centre of the country and the 6 national route traverses the area. Traffic flows through the Pixley Ka Seme Region linking the major industrial areas of the country. The area has a low rainfall while the largest river in South Africa flows through it. Three of the major dams in South Africa are situated on the borders of the Karoo

The Pixley Ka Seme District covers an area of 8 251 square kilometres as shown in table 2, with rainfall mainly in the summer months and relatively low. As a result of the scarcity of rainfall, with the exception of the small stock farming, all economic activities in the region are concentrated around the Orange River.



PixleyKaSeme District Municipal Area

The Local Municipal Setting

The area consists of three towns, of which Prieska serve as the seat of the Municipality. Siyathemba Municipality has eight Councillors elected to the Council indirectly and on a proportional basis. The Municipal Council has a Mayor who serves as the Speaker and seven members.

Mayor & Ward Counsellor	P Papier	ANC
Ward Counsellor	M Van Wyk	ANC
Ward Counsellor	D Molepo	ANC
Ward Counsellor	G Speelman	ANC
Counsellor: District	R Ithumeleng	ANC
Counsellor: PR	G Macdonald	COPE
Counsellor: PR	B Titus	COPE
Counsellor: PR	G Mackay	DA

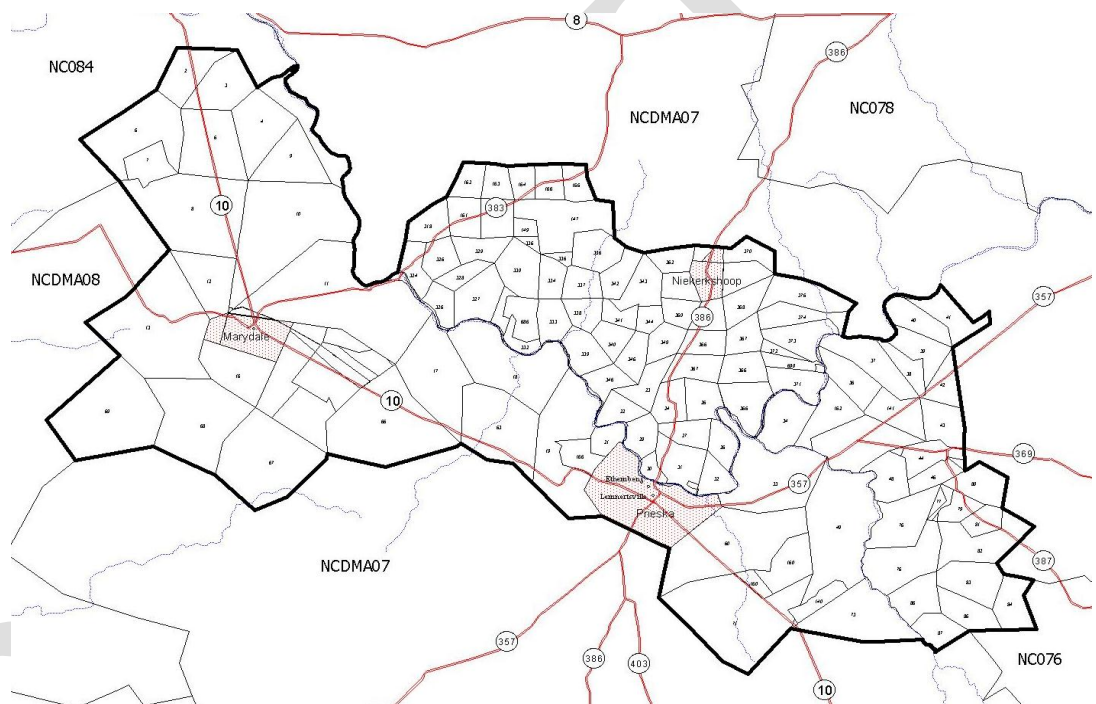


Table 1 - Local Municipality Structure

Local Municipality	Components	Councillors	System	Wards
Siyathemba	Prieska	5	Plenary executive system combined with a ward participatory system.	4
	Marydale	2		
	Niekerkshoop	1		
Pixley Ka Seme DM	District	1		

Source: Municipal Structures Act 1998.

Table 2: Land Cover by Local Municipalities

Municipality	Area (Km ²)	% Of Total
Siyathemba	8 251	8

Source: Municipal Profiles 2002

Background of Municipal Area

Agriculture

Wheat, maize and lucerne are very important crops but the possibility exists that there can be a shift to alternative high value crops. As stated small stock farming is one of the attributes of the Region and therefore the Region has a strong history of wool farming and this can benefit farm diversification into more lucrative ventures, like cashmere production.

⇒ Stock farming



Stock farming takes place throughout the whole region and is mainly focussed on small stock, consisting of sheep and goats. The sheep farming produces mutton and wool. There are several abattoirs in the region with the largest located in the Emthanjeni municipal area with a capacity of 2000 sheep slaughtered per day.

The huge potential for the region lies in adding value to the products within the area. At present products are leaving the areas in unprocessed form.

The area also produces large quantities of wool that is processed in the Eastern Cape. The area is the largest wool-producing region in South Africa and again offers the potential of benefaction within the region.

⇒ Irrigation



The Orange River and the Vaal River run through the region and irrigation farming is confined to outlying the areas where irrigation farming is practised along these rivers.

Irrigation farming forms a large part of the agricultural activities in the region and numerous products are cultivated along the rivers:

1. Maize
2. Peanuts
3. Lucerne
4. Grapes
5. Dry Beans
6. Soya Beans
7. Potatoes
8. Olives
9. Pop Corn
10. Pecan Nuts
11. Pistachio Nuts
12. Cotton

These products also leave the area in the raw and there is potential for benefaction within the Karoo District. Products produced under the climatic conditions in the region are considered as some of the healthiest available.

Industry



Industries in the area are mostly confined to light industries. The rivers provide a constant supply of water in certain parts of the region, which at least offer the potential of using the products produced in the area as a basis for benefaction.

The District, in the Centre of South Africa, is blessed with a well looked after road and rail network where 4 of the major roads are national routes.

The N1 and N12 routes link the two main economic centres, i.e., Gauteng and the Western Cape and both these routes carry thousands of tons of valuable goods and material every day to all parts of the country.

The N9 and N10 routes link Namibia and Gauteng with the coastline of Port Elizabeth, which is also the nearest export harbour for the Karoo District.

The rail network around De Aar and Noupoot is one of the largest in South Africa and no fewer than 30 trains pass through the De Aar station daily in both directions; to and from the main economic centres in South Africa.

On average 9 freight trains between Gauteng and the Western Cape pass through the station at De Aar every day, 4 to Port Elizabeth, 2 to Namibia and 10 from De Aar to Kimberley. The station at De Aar has direct or indirect links to virtually every corner of South Africa.

An average of 1 000 000 tons are conveyed through this station every month and the capacity exists to increase this tonnage with ease.

ESKOM, the country's largest supplier of electricity, has a major presence in the Karoo as its regional Office is situated in Colesberg, with a presence in nearly every town in the Karoo.

One of ESKOM's largest sub-stations – Hydra – is located near De Aar, supplying high voltage power especially to the Western Cape and the rural areas.

Electricity

This electricity is mainly generated in the Northern Areas of the country and distributed to the surrounding smaller towns of the southern regions via the central corridor. Spoornet's power lines also originate at Hydra. Twenty-three trained personnel staff the station.

The Vanderkloof Dam is used by ESKOM to generate peak demand electricity. The 112m high dam wall houses two 120-megawatt generators, which supply peak demand. Power is generated by turbine engines with an outflow of 150 cubic metres of water per second, into the second largest dam in South Africa.

Vision & Mission

Vision

- Siyathemba undertakes to improve the standard of living of its entire community by delivering visible and affordable services.

Mission

- To be a developmental municipality, which has the interest of its communities at the centre of all its activities.
- This will be done through:*
 - an optimal distribution of resources
 - economic development through job creation and a poverty reduction strategies
 - effective and efficient service delivery through optimal distribution and human resources development; and
 - effective and efficient maintenance of equipment and buildings



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Financial Viability Report
2011-2012

INTRODUCTION

The main aim of the Department of Finance is to ensure that the Siyathemba Municipality is financially sustainable to fulfil its developmental role. In order to do this, Council follows a practice of sound, conservative budgeting aimed at enhancing financial resources through maximised revenue collection and controlling costs to the minimum necessary expenditure.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2012**1) Review of operating results (summary)**

The overall operating results for the year ending 30 June 2012 as well as the comparison with the budgeted figures and the actual results of 2011 are reflected in the following table:

1. Review of operating results (summary)					
Description	Actual 2012	Budget 2012	Variance	Variance Actual as % of Budget	Actual 2011
Total Income	63 018 319	70 019 524	-7 001 205	-10%	56 699 489
Total Expenditure	63 965 383	70 019 524	-6 054 141	35%	59 237 388
Net surplus/(deficit for the year	-947 064	-	-947 064		-2 537 899

2. Revenue (Actual vs. Budget)	2012 R	2012 R	2012 R	2012
REVENUE	(Actual)	(Budget)	(Variance)	(%)
Property Rates	4 920 232	5 700 000	(779 768)	-14%
Government Grants and Subsidies - Capital	16 102 694	-	16 102 694	100%
Government Grants and Subsidies - Operating	22 338 988	35 774 035	(13 435 047)	-38%
Public Contributions and Donations	25 750	6 500	19 250	0%
Other Revenue	35 496	36 000	(504)	-1%
Fines	65 159	92 000	(26 841)	-29%
Service Charges	15 861 856	21 008 055	(5 146 199)	-24%
Rental of Facilities and Equipment	706 250	795 000	(88 750)	-11%
Interest Earned - external investments	186 269	115 000	71 269	62%
Interest Earned - outstanding debtors	1 320 090	1 500 000	(179 910)	-12%
Licences and Permits	561	16 254	(15 693)	-97%
Agency Services	1 126 540	1 086 496	40 044	4%
Other Income	328 433	3 890 184	(3 561 751)	-92%
Gain on disposal of Property, Plant and Equipment	-	-	-	100%
Total Revenue	63 018 319	70 019 524	(7 001 205)	(1)

3. Expenditure (Actual vs. Budget)	2012	2012	2012	2012
	R	R	R	
EXPENDITURE	(Actual)	(Budget)	(Variance)	(%)
Employee related cost	24 453 512	24 822 217	(368 705)	-1%
Remuneration of Councillors	1 821 438	1 902 007	(80 569)	-4%
Debt Impairment	2 337 434	800 000	1 537 434	192%
Depreciation and Amortisation	9 181 751	150 000	9 031 751	6021%
Repairs and Maintenance	2 437 114	3 226 000	(788 886)	-24%
Actuarial losses	729 798	-	729 798	0%
Finance Costs	1 070 363	107 044	963 319	900%
Bulk Purchases	9 445 542	11 073 008	(1 627 466)	-15%
Grants and Subsidies	8 060	10 000	(1 940)	-19%
Operating Grant Expenditure	6 179 055	18 936 035	(12 756 980)	-67%
General Expenses	6 293 391	8 993 213	(2 699 822)	-30%
Total Expenditure	63 957 458	70 019 524	(6 062 066)	70
Net surplus for the year	11 762 066	(779 837)	(0)	

4. Expenditure by vote(Actual vs. Budget)	2012	2012	2012	2012
	R	R	R	R
	(Actual)	(Budget)	(Variance)	(%)
Budget & Treasury	18 098 662	9 439 000	8 659 662	92%
Community & Social Services	1 172 694	1 795 350	(622 656)	-35%
Corporate Services	1 427 330	1 352 975	74 355	5%
Electricity	9 419 310	12 100 412	(2 681 102)	-22%
Executive & Council	10 436 659	10 388 372	48 287	0%
Health	6 975	10 000	(3 025)	-30%
Planning and Development	7 008 802	18 558 289	(11 549 487)	-62%
Public Safety	569	6 000	(5 431)	-91%
Road Transport	2 494 304	2 719 826	(225 522)	-8%
Waste Management	2 953 178	2 778 000	175 178	6%
Waste Water Management	3 851 861	3 425 000	426 861	12%
Water	7 095 039	7 446 300	(351 261)	-5%
	63 965 383	70 019 524	(6 054 141)	

5. Cash and cash equivalents			
	2012	2011	
Assets	R	R	
Call Investments Deposits	2 049 682	754 950	
Bank Accounts	800	800	
Total Cash and Cash Equivalents - Assets	2 050 482	755 750	
	2012	2011	
Liabilities	R	R	
Primary Bank Account	805 584	578 986	
Correction done on opening balance		18 546	
Total Cash and Cash Equivalents - Liabilities	805 584	597 531	
Cash and cash equivalents comprise cash held and short term deposits.			
The carrying amount of these assets approximates their fair value.			
The Municipality do not have a bank overdraft facility with ABSA as at 30 June 2012.			
The municipality has the following bank accounts:			
Current Accounts			
Prieska ABSA - Account Number 40-5355-2997 (Primary Bank Account):		(578 986)	(571 962)
		(805 584)	(578 986)
<i>Prieska ABSA - Account Number 40-5355-2997 (Primary Bank Account):</i>			
Cash book balance at beginning of year		(578 986)	(571 962)
Cash book balance at end of year		(805 584)	(578 986)
Bank statement balance at beginning of year		(477 645)	(568 012)
Bank statement balance at end of year		(328 404)	(477 645)

7. Receivables from exchange transactions

	2012	2011
	R	R
Electricity	1 835 502	1 077 347
Water	9 702 007	8 822 192
Refuse	1 654 491	1 354 789
Sewerage	6 649 224	5 906 516
Rental	28 444	21 647
Other Consumer debtors	1 086 166	778 037
Sundry Receivables	975 070	911 626
Other deposits	25 033	23 341
Total Receivables from Exchange Transactions	21 955 938	18 895 494
Less: Allowance for Doubtful Debts	(17 641 456)	(16 509 066)
Total Net Receivables from Exchange Transactions	4 314 481	2 386 429

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. The outstanding consumer accounts are secured by the consumer deposits paid only.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	1 028 147	722 457
31 - 60 Days	114 728	72 655
61 - 90 Days	94 378	44 983
+ 90 Days	465 365	237 252
Total	1 702 618	1 077 347

(Water): Ageing

Current (0 - 30 days)	1 253 165	282 343
31 - 60 Days	229 540	171 276
61 - 90 Days	246 157	162 674
+ 90 Days	7 891 550	8 205 900
Total	9 620 412	8 822 192

(Refuse): Ageing

Current (0 - 30 days)	129 425	79 732
31 - 60 Days	38 225	43 394
61 - 90 Days	35 855	34 633
+ 90 Days	1 433 842	1 197 030
Total	1 637 347	1 354 789

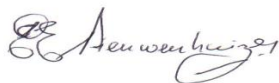
(Sewerage): Ageing

Current (0 - 30 days)	332 103	264 291
31 - 60 Days	93 003	160 321
61 - 90 Days	85 496	139 609
+ 90 Days	6 116 543	5 342 294
Total	6 627 144	5 906 516

(Rental): Ageing

Current (0 - 30 days)	5 413	4 048
31 - 60 Days	505	714
61 - 90 Days	505	476

9. Government Grants and Subsidies			2012	2011
			R	R
Unconditional Grants			17 829 000	15 440 466
Equitable Share			17 829 000	15 440 466
Conditional Grants			20 334 921	16 643 148
Grants and donations			20 334 921	16 643 148
Total Government Grants and Subsidies				
Government Grants and Subsidies - Capital			16 102 694	13 819 075
Government Grants and Subsidies - Operating			22 338 988	18 264 539
			38 441 682	32 083 614
10. Audit fees - [MFMA 125 (1)(c)]			2012	2011
			R	R
Opening balance			1 769 676	1 603 054
Current year audit fee			1 645 617	866 622
External Audit - Auditor-General			1 645 617	866 622
Audit Committee			-	-
Amount paid - current year				(700 000)
Amount paid - previous year			(200 000)	
Balance unpaid (included in creditors)			3 215 293	1 769 676



HEINRICH NIEUWENHUIZEN
CHIEF FINANCIAL OFFICER

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Infrastructure and Housing Services
2011-2012

Infrastructure and Housing Services

The main function of the Department is the maintenance of existing and provision of new Infrastructure services and Community facilities.

The Department is also responsible for the wiping out of service backlogs.

The Infrastructure Department contributes to various new infrastructure

- The construction of tarred roads in Prieska (MIG) project.
- The upgrade of Water supply Infrastructure in Marydale (MIG) project of R2.6 mil
- The upgrading of cemeteries in Prieska ,Marydale and Niekerkshoop (MIG)
- The upgrade of Solid waste sites in Prieska and Marydale (MIG)
- Funding from DWA for the Water and Sanitation improvement.

The Infrastructure Department includes the following sections.

- Cemeteries
- Parks and Recreation
- Refuse Removal
- Sewerage and Sanitation
- Electricity
- Water
- Roads and Storm water
- Municipal Infrastructure and Buildings
- IDP and LED Unit
-

The establishment of the various sections is set out below:

Infrastructure Manager	1
Assistant Manager Infrastructure & IDP/LED Unit	1
Water	15
Electricity	7
Sewerage and Sanitation	24
Refuse and Parks	32
Roads and Storm Water	29
TOTAL	109

Service Delivery

1. Achievements

Background

1. Overall description of the programme:

1. Upgrading of graveled roads to tarred roads in Prieska, Marydale and Niekerkshoop
2. Upgrade Marydale Solid Waste site
3. Upgrade Prieska Solid Waste site
4. Upgrade of Water Supply Marydale
5. Feasibility study New Cemetery Prieska
6. Developmemt New Cemetery Niekerkshoop
7. Expansion of cemetery Marydale.
8. Erection of High Mast Lights in Prieska, Marydale and Niekerkshoop

2. Programme history

The Municipality has applied for funds for this purpose because it is of great need to the communities.

3. Project/programme concept, design and plan

1. Upgrading of graveled roads to tarred roads in Prieska, Marydale and Niekerkshoop
2. Upgrade Marydale Solid Waste site
3. Upgrade Prieska Solid Waste site
4. Upgrade of Water Supply Marydale
5. Feasibility study New Cemetery Prieska
6. Developmemt New Cemetery Niekerkshoop
7. Expansion of cemetery Marydale
8. Erection of High Mast Lights in Prieska, Marydale and Niekerkshoop

4. Start date – duration of the programme

1. Upgrading of graveled roads to tarred roads in Prieska, Marydale and Niekerkshoop started 23/02/2011 Completion date 30 June 2012
2. Upgrade Marydale Solid Waste site.

Project did not start yet only EIA's etc, was done and approved tenders was advertised and project will start in July 2012.

3. Upgrade Prieska Solid Waste site

Project did not start yet only EIA's etc, was done and approved tenders was advertised and project will start in July 2012

4. Upgrade of Water Supply Marydale

The first phase has been completed as far as the amount approved by MIG. We applied for budget to complete the whole project as planned. The budget maintenance was approved and the project was completed in May 2012

5. Feasibility study New Cemetery Prieska

The study was completed and we now await approval from MIG to start with the project

6. Development New Cemetery Niekerkshoop

EIA has been approved. Construction start on 4 August 2011 The project was completed in January 2012

7. Expansion of cemetery Marydale.

The project implementation starts in November 2011 and was completed by April 2012

8. Erection of High Mast Lights in Prieska, Marydale and Niekerkshoop

The project implementation starts in January 2012 and was completed in June 2012

- **Amount allocated for the projects**

As per schedule

- **Key challenges since onset**

The challenges of the projects are the time to do EIA'S etc. and the approval thereof

- **Other challenges are the progress on the projects**

To complete project in time with available funds

Evaluation as per the practice note

	2008/09	2009/10	2010/11	2011/12
Approved budget amount	2 013 793	6 387 000	7 026 000	10 246 000
Spent budget amount	2 013 793	5 287 000	6 364 000	10 246 000
Difference		1 100 000	662 000	NUL

Part 1: Progress to date

Results based management principles should be used as the underlying principles to evaluate interventions and outcomes:

- Describe set up and actions undertaken by various actors during 2011/2012

Implementation of the approved business plan

The projects was done according to business plan and funds available .

Schedules of work and phasing of the activities

Schedules of work and planning was done by the contactor and approved and monitored by consulting engineers.

The upgrade of the gravel toads was done by M v D Kalahari Consulting Engineers

The following projects are done by Aurecon Consulting Engineers

Upgrade Marydale Solid Waste site

Upgrade Prieska Solid Wate site

Upgrade of Water Supply Marydale

Feasibility study New Cemetery Prieska

Developmemt New Cemetery Niekerkshoop

Expansion of cemetery Marydale

- BVI Consulting Engineers

Erection of High Mast Lights in Prieska, Marydale and Niekerkshoop

- Financial management

Financial Management was done by the Municipality and the Consulting Engineers

- Coordination with other stakeholders

The coordination between stakehoulders are very good

- Risks taken and management thereof

None

- Describe the management of the programme

- Institutional arrangements to manage how are these functioning within the department

Programme Management was done by the Consulting Engineers in Conjunction with the Municipality

- What are the capacities dedicated to the programme

Consulting services by MvD Kalahari and BVI Consulting Engineers and Aurecon

- How is the programme supported by other units

N/A

- What is the approach for capacity building for the staff within the programme. Are there any consideration for alternative solutions to capacitate staff in the programme

On job training as well as safety en health training has been done

- Defined communication structures within the department

Written communication between the contractor. Municipality , and the Consulting Engineers.

Monthly site meetings which are attended by Coghsta, Contractor, Consulting Engineers and the Municipality.

- Define key challenges met within this aspect of the programme

To do a good job

Within the budget

Complete within time schedule

Part 2: Monitoring

- Define the monitoring approach; map the process (on what basis is data collected; issues around data sources and data collection methodologies). Who is responsible for each of the tasks within the map?

Done by site inspections every day and when needed by the consulting engineers

- How is data analysed and reported for implementation purposes

N/A

- How is data analysed and reported for performance requirements

Continues site inspections against the standards and construction plans

- Who is responsible for data analysis and report generation (financial and non-financial reports)

The Consulting Engineers and the Infrastructure Dept of the Municipality

- Define the challenges met with the monitoring and reporting tasks

To do it on time and when needed and as correct as possible

Part 3: What are the results and who benefited?

- Define the outcomes and outputs set for 2011/2012

The outputs and outcomes was achieved in the sence that the contracts was done in accordance with the business

plan and planning for this project

To what extent have these outcomes and outputs contributed to achieving the programme objective(s) or can be expected to do so in the future. Is the a gap between planned and actual outcomes and outputs

There was no gaps and the program will be completed within the planned outcomes and outputs

- Have there been unforeseen outcomes and outputs or unforeseen beneficiaries
- None
- What were the assumptions and risks monitored during 2011/2012

There was no actual assumptions and risks

- Have assumptions/risks affected the project. If yes, how did this affect the programme? If no, how did the programme manage this?

N/A

Conclusions

- What were the main successes and failures of the project to date (causes underlying the outcomes and outputs)

The main successes was that a good job was done.

The project contributed towards a more safe environment for our communities

Better service Delivery towards the Communities

- Do the outcomes, outputs, successes and failures justify the costs?

YES definitely

- Were the objectives achieved within the specified time & budget

YES

- Would there have been different ways of achieving the same outcome

NO

- How far have the project activities been embedded in local institutions structures to ensure sustainability or acceptance of the programme within the department?

Trough proper consultation and according to the needs

- Were there any other stakeholders adequately prepared for project activities (technically, financially, etc)?

NO

- Should the project be re-oriented and in particular should all activities continue? If not, describe how the project should be re-oriented and summarized, in terms of outcomes, outputs, activities and inputs.

No the project was done as planned

Lesson Learned

- What lessons can be drawn specifically in relation to the project?(policies, instruments and any other facts deemed necessary for the programme to succeed)

Proper planning , Good business plans.

Recommendations

- Programme design

The design was good and minimum alterations has been made

- Programme monitoring

None

- Programme management

The programme management was good and no recommendations can be made

- Any other factors deemed important for programme success

The success of the projects start with the planning of the project and the needs analysis

One recommendation is that the time between the application to MIG and the execution of the work must be shorter in order to complete the project within the approved budget and that Budget Maintenance applications are been avoid.

Funding from Department of Water Affairs

During 2011/2012 financial year grants was also received from the Department of Water Affairs.

9. ACIP Program

An amount of R 2 940 000 was received for 2 Sewer Tanker Trucks and the refurbishment of Sewer Discharge **Points** in Prieska, Marydale and Niekerkshoop The Sewer Trucks was allocated to Marydale(1) and Niekerkshoop(1). During 2012/2013 an amount of R 2 870 000 was allocated for the Upgrading of Waste Water Treatment Works in Prieska and Reservoirs.



10. RBIG

An Implementation Readiness study was completed for Niekerkshoop regarding Bulk water supply. In the next Financial Year the Implementation of this Project will start that include development of 3 Boreholes, Main Lines and a new Reservoir.

An Implementation Readiness Study was also started in Marydale in order to look at alternatives to supply enough water to Marydale.

11. Vehicles

The Vehicle Fleet of the Municipality is old. During the previous financial year 3 vehicles was bought, namely, a TLB, Compactor and a Crane Truck.



12. Housing Project

During the year 205 was serviced with water and sewerage in Prieska to the amount of R 6.7 million, funded by COGHSTA. On these sites 202 houses will be built and are currently under construction by ASLA. The project will be completed by end of November 2012.

New Infrastructure

The Municipality is dependent on Grant Funding for new Infrastructure, because we did not have a Capital Reserve Fund.

Town Planning and Building Centre

The staff involved in Town Planning and Building Centre provide information to other departments as well as Consulting Engineers and Consultants regarding proposed developments and land information on a continuous basis.

Water Services

In Prieska we receive our Bulk Water supply from the Orange River, which is a reliable source for continuous water abstraction to purify and provide Prieska town with good drinking water. Untreated water is also abstracted from the Orange River for Irrigation purpose on a small scale in a certain part of Prieska.

The water treatment Works in Prieska has a capacity of 15 mega liter per day, but currently we run at 4 – 5 mega liters per day. The water treatment works in Prieska also provide purified water to Alkantpan Test Range about 70km from Prieska. Water supply for Marydale and Niekerkshoop come from Boreholes and therefore we rely on groundwater for these 2 towns.

Marydale water supply comes from 7 Boreholes and Niekerkshoop supply comes from 6 Boreholes.

Spare pumps and motors are always kept in stock as well as water supply materials and spares. Continuous Operation and Maintenance take place on water meters as well as on the water supply network.

Water services provide a full time standby service and therefore officials are provided with cell phones for 24 hours availability.

Water Infrastructure Upgrade

Currently we are busy to upgrade the Water Supply Network from the Boreholes to the 2 Reservoirs in Marydale. One of the Reservoir's capacities will also be increased. This project is also a MIG project with a contract value of R 2,679million.



Sewerage and Sanitation

Full water borne sewerage system is in operation in the whole town of Prieska except for the Industrial Area that is served by septic tanks that are emptied by a vacuum tanker truck. In the informal settlement there are 56 VIP toilets.

In Prieska there are 3 sewerage pump stations from where the sewerage are been pumped to the waste water treatment works. The 3 pump stations are cleaned every day to prevent interruptions. Every pump station is equipped with 2 submersible pumps in order to ensure that no sewerage spills occurs. We also have spare submersible pumps in stock to fix pump problems quickly when a pump becomes faulty.

The waste water treatment works was upgraded in 2008 and have the capacity to handle future development for about 15 years. In Marydale and Niekerkshoop the sanitation and sewerage services are mainly VIP toilets and septic tanks. This service in Marydale and Niekerkshoop are supplied by a tractor with a vacuum tank wagon.

In Marydale there are also 230 Buckets still in use due to a housing project that cannot be completed as well as VIP toilets that collapse due to poor soil conditions – Backlog.

Sewerage blockages in Prieska are handled in a quick manner to prevent sewerage spills in the streets or in people erven. The municipality charges house owners a tariff when we open blockages on their behalf.

Sewerage service provides a full time (24 hour) standby service.

Challenges: Eradication of Buckets in Marydale.

Solution: Financing to wipe out Backlogs.

Blue Drop and Green Drop Program

The Municipality participates in the Blue and Green Drop Program of the Department of Water Affairs. The past year personnel attend regular workshops of DWA in order to better our Blue and Green drop scores. Currently we did not qualify for a blue and Green drop status, but with help from DWA we are busy to narrow the gaps in order to comply with the criteria.

Drinking water is tested by an Independent Laboratory on a monthly basis and results captured on the BDS System of DWA.

Our Drinking water quality is of a good condition and safe for use by human beings.

➤ Microbiological	-	98.6%
➤ Chemical	-	71.5%
➤ Physical and Organoleptic	-	91.2%
➤ Operational	-	85.5%
➤ Blue drop Score	=	62.40%

Refuse Removal

These services are provided to all residents on a weekly basis. In part of Prieska refuse removal are being done by means of Black refuse bags. In other areas people put out their refuse bins from where it is emptied onto a truck.

In Marydale and Niekerkshoop people also put out their bins from where it is being emptied onto a wagon.

In all 3 towns there are landfill sites where the refuse are being dumped. Problems occur in all 3 towns with illegal dumping of refuse that put an extra burden on the refuse removal service. Shortage of proper vehicles and equipment hamper these services delivery and need to be addressed.

Challenges: Old Vehicles

Solution: Funds for new vehicles.

Refuse Infrastructure Upgrade

Currently we are busy with 2 MIG Projects in Prieska and Marydale to upgrade the landfill sites in order to comply with legislation. These projects are MIG Projects with a value of R3, 9930 million.

Cemeteries

The council has 3 cemeteries in Prieska where burials take place.

Currently we are busy with a MIG Project to upgrade, one of them because more space become essential. The cemeteries in Marydale and Niekerkshoop have already been completed. The one in Prieska will be done during the 2012/2013 financial year.

In Niekerkshoop and Marydale there are also 2 cemeteries in each town where burials take place.



Airfield

The Airfield in Prieska is suitable for airplanes to land and take off. There are 2 graveled runways that are graveled regularly. This airfield is registered with the Civil Aviation Authority and been inspected by them every year after which a license are been issued to the Municipality.

Commonage

The Municipality's commonage covers an area of 33 000ha. The commonage is currently used mainly by emerging farmers.

Infrastructure on the Commonage are been vandalized by thieves who take away fences, windmills and other infrastructure.

Streets and Public Works

This services of the Municipality are been hampered by a shortage of the necessary equipment to maintain streets properly.

Most of the streets are graveled roads and needs to be urgently re-graveled , but due to the fact that the frontend loader and the roller are very old this work cannot started. The vehicles must also do work in Marydale and Niekerkshoop.

The shortage of vehicles to maintain streets lead to the deterioration of the condition of streets. Tarred roads need urgent resurfacing but due to financial shortfalls we are busy to apply for MIG funding to do the resurfacing.

Although we experienced financial constrains potholes are repaired on a regular basis.

Infrastructure Upgrading

A MIG project for the upgrading of graveled roads to tarred roads to the amount of R54, 727m is already been approved.

An application for the resurfacing of tarred roads is also submitted for approval out of MIG funding.

Electricity Services

Electricity Service is done by the municipality in a part of Prieska. This is the smallest section in the infrastructure department and the staff establishment is currently 5 employees.

Two areas in Prieska still needs to be upgraded because the electricity network is old and power failures occur. The Municipality apply for money to upgrade it but all applications at the Department of Energy has been turned down because they argue that INEP funds cannot be allocated for upgrading of existing electricity infrastructure.

The biggest part of Prieska as well as the whole of Marydale and Niekerkshoop are been supplied by ESKOM direct to customers. The Department of Energy has given funding to build a new 11KV line to supply electricity to 202 housing units – R 1 200 000.

Apart from meter inspections and new installations, maintenance work done relate to complaints received or faults which occur. Maintenance work includes:

- Maintenance of high and low voltage networks
- Maintenance of street and high mast lights
- New and maintenance of house connections
- Maintenance of electrical equipment at municipal installations and buildings such as Water treatment works, Borehole submersible pumps, Sewerage pumps stations, Waste water treatment works etc.
- Offices
- Community halls

The Electrical service provides a standby service on a full time (24hrs) basis in order to react to complaints and limit power failure to a minimum.

CHALLENGES

Siyathemba Municipality rely on grants to do any development regarding Capital Projects. We therefore must rely on MIG, ACIP, RBIG and other grants from Government. As said, our vehicle fleet is very old and new vehicles must be financed in order to secure service delivery.

BACKLOGS

- **Housing Backlog**

In Prieska, Marydale and Niekerkshoop there are backlogs for houses. Business plans has and will be submitted to COGHSTA for housing subsidies. Serviced sites are available in Marydale and Niekerkshoop.

No serviced sites are available in Prieska, but a MIG approval is already received to service 310 sites in Fairview in Prieska.

- **Sanitation Backlogs**

In Marydale there about 230 Buckets left and it increases weekly.

After the RBIG implementation readiness study has been completed and water supply to Marydale is secured, the VIP and Bucket Toilets can be upgrade to Full Waterborne (Flush) Toilets.



.....
J. BADENHORST
TECHNICAL MANAGER

*Municipality
Siyathemba
Munisipaliteit*



*Municipal Transformation
&
Organisational Development
2011-2012*

Introduction

The Corporate Services Directorate derives its mandate from Council's Key development objective i.e. institutional development, the IDP. It therefore means it is largely an internally focussed directorate with the primary aim to recruit employees and the development and enhancement of efficient administration systems. The strategic challenge for the municipality is to find better ways in delivery services to the Siyathemba Community in a holistic and integrated manner. It is therefore this Directorate's responsibility to ensure that the organisation is aligned to advance on the key objectives of the municipality by addressing human resource related issues and to amplify technological applications in the organisation

Administration Services

As the administrative arm of Municipality, this section renders administrative support services to Council and its political structures. The political structures comprise the Executive Committee and Portfolio Committees, as well as ad hoc committees. The administrative support services entail the preparation of Council agendas and minutes, as well as facilitating communication between Council and the various directorates, to facilitate the implementation of political decisions.

Record Division

The records division is entrusted with the core responsibility of managing the Municipality's official records by means of achieving the records, disposing of certain of those records and the transfer of records to the Provincial Archives. In general, this division manages access to records and also serves as a centre for the receipt, distribution and dispatch of correspondence to and from the public, as well as to Councillors.

Human Resources





Siyathemba Municipal area has a significant unemployment figure. The recruitment and appointment process attempts to appoint local inhabitants of Siyathemba, first and foremost. However, the process does identify scarce skills, i.e. electricians, engineers, etc. and therefore recruits much wider. The HR section of Corporate Services consists of Training, Personnel administration, labour relations and Performance Management.

Library

The Library Services renders an important educational service to the Siyathemba Community. The aim of the service is to take the libraries to the people. The main aim of the Siyathemba Library Service is to render an effective and efficient service to the community of Siyathemba. The Library provides information and recreational services to adults, learners and students. This section creates a culture of reading through educational programmes. We are also involved with Provincial Library Services in a Library Development Programme where we address the needs of Libraries through Financial Allocation from Provincial Administration.

Traffic

This section consists of the following sub-sections:

-  Registration and Licensing
-  Traffic Law Enforcement
-  Municipal Law Enforcement
-  Administration

The main aim of Traffic Services is to ensure a safe traffic environment for road users within the boundaries of Siyathemba, secondly, to serve as an agent for Provincial Administration, i.e. Registrations.

Integrated Development Plan

The Integrated Development Plan is a five year strategic development tool which guides planning, budgeting, implementation and annual review of performance, the purpose is to identify priority issues in conjunction with the communities, and allow us to apply the municipality's resources optimally.

The IDP guides the decision making of the municipality. The plan is developed in terms of the Municipal Systems Act, 32 of 2000 and its regulations. Chapter 4 of the Municipal Finance Management Act provides that the mayor should develop a budget programme to ensure community participation in the review for 2008-2009. The communities were consulted with regard to their needs and aspirations. This was done in line with the process plan as adopted.

The annual review of the IDP was adopted and implemented. All challenges were carried forward to the following year. The municipality is ensuring that we improve annually on service delivery and it is reflected in the IDP.

Website Upgrade

The Municipality started to upgrade the website. We have transferred the domain and this was done to improve the system. It is already running and we should now ensure that we task an official to maintain the website. This is necessary based on the fact that legislation requires that a number of policies, reports and documents must be reflected in the website. The address for the website is www.siyathemba.gov.za

*Municipality
Siyathemba
Munisipaliteit*



Audited Annual Financial Statements
2011-2012

SIYATHEMBA MUNICIPALITY

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SIYATHEMBA MUNICIPALITY

MEMBERS OF THE SIYATHEMBA MUNICIPALITY

COUNCILLORS

Clr Papier; P	Speaker	Proporsional	ANC
Clr Molepo; J	Ordinary Councillor	Ward 1	ANC
Clr van Wyk; F	Ordinary Councillor	Ward 2	ANC
Clr Speelman; G	Ordinary Councillor	Ward 3	ANC
Clr Martin; E	Ordinary Councillor	Ward 4	ANC
Clr Macdonald; G	Ordinary Councillor	Proporsional	COPE
Clr Titus; B	Ordinary Councillor	Proporsional	COPE
Clr Mackay; G	Ordinary Councillor	Proporsional	DA

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages to in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



HEE van Nieuwenhuizen
MUNICIPAL MANAGER (ACTING)

30-Aug-12

Date

ANNUAL REPORT 2011 – 2012 -MUNICIPALITY SIYATHEMBA MUNISIPALITEIT

SIYATHEMBA MUNICIPALITY						
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012						
	Notes	2012 R	2011 R	2011 R	2011 R	2011 R
				Restated	Correction	Previously reported
NET ASSETS AND LIABILITIES						
Net Assets		231 927 051	233 018 386	233 018 386	11 633 427	244 651 813
Accumulated Surplus/(Deficit)		231 927 051	233 018 386	233 018 386	11 633 427	244 651 813
Non-Current Liabilities		15 286 300	14 117 765	11 628 172	(11 305 851)	322 321
Long-term Liabilities	1	2 196 575	302 801	302 801	-	302 801
Employee benefits	2	13 089 725	11 325 371	11 325 371	(11 305 851)	19 520
Non-Current Provisions	3	0	2 489 593	2 489 593	(2 489 593)	
Current Liabilities		24 880 314	13 755 475	13 755 475	(472 903)	13 282 572
Consumer Deposits	4	483 058	450 198	450 198	(109 312)	340 885
Current Employee benefits	5	3 550 583	2 751 255	2 751 255	(1 095 503)	1 655 751
Provisions	6	2 760 233	-	-	-	-
Payables from exchange transactions	7	14 992 756	8 272 280	8 272 280	143 979	8 416 259
Unspent Conditional Government Grants and Receipts	8	2 053 144	1 655 323	1 655 323	-	1 655 323
Taxes	9	0	-	-	587 934	587 934
Cash and Cash Equivalents	16	726 421	578 986	578 986	-	578 986
Current Portion of Long-term Liabilities	1	314 119	47 433	47 433	-	47 433
Total Net Assets and Liabilities		272 093 664	260 891 625	258 402 032	(145 327)	258 256 705
ASSETS						
Non-Current Assets		260 568 397	254 488 069	254 488 069	(3 974)	254 484 095
Property, Plant and Equipment	10	260 499 399	254 382 255	254 382 255	-	254 382 255
Long-Term Receivables	11	68 998	105 814	105 814	(3 974)	101 840
Current Assets		11 525 268	6 403 556	6 403 556	(2 630 946)	3 772 610
Inventory	12	318 771	219 100	219 100	(7 635)	211 465
Receivables from exchange transactions	13	4 314 481	2 386 429	2 386 429	(561 232)	1 825 196
Receivables from non-exchange transactions	14	2 032 396	1 224 955	1 224 955	(265 201)	959 755
Unpaid Conditional Government Grants and Receipts	8	265 810	-	-	-	-
Operating Lease Asset	15	17 549	14 991	14 991	(6 499)	8 492
Taxes	9	2 497 806	1 789 217	1 789 217	(1 789 217)	-
Current Portion of Long-term Receivables	11	27 972	13 115	13 115	-	13 115
Cash and Cash Equivalents	16	2 050 482	755 750	755 750	(1 162)	754 587
Total Assets		272 093 664	260 891 625	260 891 625	(2 634 920)	258 256 705

ANNUAL REPORT 2011 – 2012 -MUNICIPALITY SIYATHEMBA MUNISIPALITEIT

SIYATHEMBA MUNICIPALITY					
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012					
	Notes	2012 Actual R	2011 Restated R	2011 Correction of Error R	2011 Previously reported R
REVENUE					
Revenue from Non-exchange Transactions		43 255 119	37 324 734	257 476	37 067 258
Taxation Revenue		4 687 033	4 869 689	-	4 869 689
Property rates	17	4 687 033	4 869 689	-	4 869 689
Transfer Revenue		38 467 432	32 083 614	-	32 083 614
Government Grants and Subsidies - Capital	18	16 102 694	13 819 075	(4 445 465)	18 264 539
Government Grants and Subsidies - Operating	18	22 338 988	18 264 539	4 445 465	13 819 075
Public Contributions and Donations		25 750	-	-	-
Other Revenue		100 654	371 431	257 476	113 955
Actuarial Gains		-	99 408	99 408	-
Third Party Payments		-	83 268	-	83 268
Fines		65 159	30 687	-	30 687
Other Revenue	19	35 496	158 068	158 068	-
Revenue from Exchange Transactions		19 530 382	19 374 755	1 365 221	18 009 534
Service Charges	20	15 861 856	16 925 115	70 478	16 854 636
Rental of Facilities and Equipment		706 564	553 482	196 866	356 615
Interest Earned - external investments		186 269	71 024	71	70 953
Interest Earned - outstanding debtors		1 320 090	621 041	-	621 041
Licences and Permits		561	1 118	2 097 051	(2 095 932)
Agency Services		1 126 540	2 014	(1 612 641)	1 614 655
Other Income	21	328 501	1 187 799	613 395	574 404
Gain on disposal of Property, Plant and Equipment		-	13 162	-	13 162
Total Revenue		62 785 501	56 699 489	1 622 697	55 076 792
EXPENDITURE					
Employee related costs	22	24 453 512	21 393 462	675 667	20 717 795
Remuneration of Councillors	23	1 821 438	1 473 593	(249 752)	1 723 346
Debt Impairment	24	2 337 434	5 161 497	(1 445 419)	6 606 915
Depreciation and Amortisation	25	9 181 751	9 305 120	-	9 305 120
Impairments	26	7 926	-	-	-
Repairs and Maintenance		2 365 934	2 590 134	(126 694)	2 716 827
Actuarial losses	2	729 798	306 275	306 275	-
Finance Charges	27	1 070 363	931 899	925 053	6 846
Bulk Purchases	28	9 445 542	6 498 136	(744 625)	7 242 761
Grants and Subsidies	29	6 260	101 289	-	101 289
Operating Grant Expenditure	30	6 179 055	2 785 000	-	2 785 000
General Expenses	31	6 277 824	7 781 638	334 837	7 446 801
Total Expenditure		63 876 836	58 328 043	(324 657)	58 652 700
NET SURPLUS/(DEFICIT) FOR THE YEAR		(1 091 335)	(1 628 555)	1 947 353	(3 575 908)

SIYATHEMBA MUNICIPALITY		
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012		
	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2010	248 227 721	248 227 721
Correction of error / Change in accounting policy	(13 580 780)	(13 580 780)
Restated Balance at 1 JULY 2010	234 646 940	234 646 940
Net Deficit for the year	(1 628 555)	(1 628 555)
Balance at 30 JUNE 2011	233 018 386	233 018 386
Net Deficit for the year	(1 091 335)	(1 091 335)
Balance at 30 JUNE 2012	231 927 051	231 927 051

ANNUAL REPORT 2011 – 2012 -MUNICIPALITY SIYATHEMBA MUNISIPALITEIT

SIYATHEMBA MUNICIPALITY			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012			
		30 JUNE 2012	30 JUNE 2011
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		17 880 882	30 859 178
Government - operating		22 338 988	18 264 539
Government - capital		16 102 694	13 819 075
Interest		1 506 359	692 065
Payments			
Suppliers and employees		(42 502 918)	(49 700 101)
Finance charges	27	(1 070 363)	(931 899)
Transfers and Grants		(6 260)	(101 289)
Cash generated by operations	34	14 249 383	12 901 567
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(15 306 821)	(12 150 611)
Decrease/(Increase) in Long-term Receivables	11	11 415	9 276
Net Cash from Investing Activities		(15 295 406)	(12 128 173)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(101 507)	-
New loans raised		2 261 967	-
(Decrease)/Increase in Consumer Deposits		32 860	(44 214)
Net Cash from Financing Activities		2 193 320	(44 214)
NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS		1 147 297	729 181
Cash and Cash Equivalents at the beginning of the year		176 764	(552 417)
Cash and Cash Equivalents at the end of the year	35	1 324 061	176 764
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1 147 297	729 181

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 2 (Revised – Feb 2010)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised – Feb 2010)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised – Feb 2010)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 10 (Revised – Feb 2010)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised – Feb 2010)	Construction Contracts	1 April 2011
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 14 (Revised – Feb 2010)	Events after the reporting date	1 April 2011
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 19 (Revised – Feb 2010)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012

GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 100 (Revised – Feb 2010)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 20	Related Parties	Unknown

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	1 April 2011
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the</p>	Unknown

	Municipality does not participate in such business transactions.	
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	1 April 2011
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 24 (Original – Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p>	Unknown

	No significant impact is expected as the Municipality does not participate in such business transactions.	
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES**1.8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.9. LEASES**1.9.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split

between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer

plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	10-120	Buildings	100
Electricity	20-50	Vehicles	5-44
Water	10-55	Office equipment	4-35
Sewerage	15-20	Furniture and fittings	1-35
		Electrical equipment	2-14
<u>Community</u>		Mechanical equipment	4-10
Recreational Facilities	100	Computer equipment	5-12
Cemetery	23-25		
<u>Finance lease assets</u>		Landfill sites	5 -70
Office equipment	8-9		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it

is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined usage, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	100

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.18. NON-CURRENT ASSETS HELD FOR SALE**1.18.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**1.19.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less

accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and

condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first in first out method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor,

probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 **De-recognition of Financial Instruments**

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has

neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection

charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when

invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party; or exercise significant influence over the other party; or vice versa; or an entity that is subject to common control, or joint control. The following are regarded as related parties of the reporting entity:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the management of the reporting entity or its controlling entity.
- (b) An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified who has control or joint control over the reporting entity and has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the entity, including:

- (a) all members of the governing body of the reporting entity;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the entity;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the entity; and
- (d) the senior management team of the entity, including the chief executive officer or permanent head of the entity, unless already included in (a).

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 2 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of cell on that each specific landfill site.
- The engineers calculated the current cost of rehabilitation of the whole cell in operation and determined the capacity used.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end; that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 10 days worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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ANNUAL REPORT 2011 – 2012 -MUNICIPALITY SIYATHEMBA MUNISIPALITEIT

1	LONG-TERM LIABILITIES	2012 R	2011 R
	Capitalised Lease Liability - At amortised cost	302 801	350 234
	Hire Purchase	2 207 893	-
		2 510 694	350 234
	Current Portion transferred to Current Liabilities	314 119	47 433
	Capitalised Lease Liability - At amortised cost	68 667	47 433
	Hire Purchase	245 452	-
		2 196 575	302 801
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	2 196 575	302 801
	Refer below for maturity dates of long term liabilities:		
	The obligations under finance leases are scheduled below:		
		Minimum lease payments	
	Amounts payable under finance leases:		
	Payable within one year	103 753	90 220
	Payable within two to five years	267 854	371 608
	Payable after five years	-	-
		371 608	461 828
	Less: Future finance obligations	(68 807)	(111 594)
	Present value of lease obligations	302 801	350 234
	Leases are secured by property, plant and equipment - Note 10		
	The capitalised lease liability consist out of the following contracts:		
		Minimum hire purchase payments	
	Amounts payable under hire purchase agreements:		
	Payable within one year	448 036	-
	Payable within two to five years	1 792 143	-
	Payable after five years	801 929	-
		3 042 109	-
	Less: Future finance obligations	(834 216)	-
	Present value of hire purchase obligations	2 207 893	-
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		

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2	EMPLOYEE BENEFITS	2012 R	2011 R
	Post Retirement Benefits - Refer to Note 2.1	8 785 434	7 359 437
	Long Service Awards - Refer to Note 2.2	2 984 775	2 812 321
	Ex-gratia Pension	1 319 516	1 153 612
	Total Non-current Employee Benefit Liabilities	13 089 725	11 325 371
	Balance previously reported		19 520
	Correction of error - Refer to note 33.1		11 305 851
			11 325 371
		2012 R	2011 R
	<u>Post Retirement Benefits</u>		
	Balance 1 July	7 593 461	6 973 442
	Contribution for the year	389 442	360 465
	Interest Cost	653 248	598 842
	Expenditure for the year	(249 854)	(239 880)
	Actuarial Loss/(Gain)	651 929	(99 408)
	Total post retirement benefits 30 June	9 038 226	7 593 461
	Less: Transfer of Current Portion - Note 5	(252 792)	(234 024)
	Balance 30 June	8 785 434	7 359 437
	<u>Long Service Awards</u>		
	Balance 1 July	3 187 097	3 051 513
	Contribution for the year	315 683	305 948
	Interest Cost	226 352	215 924
	Expenditure for the year	(374 776)	(417 166)
	Actuarial Loss/(Gain)	16 849	30 878
	Total long service 30 June	3 371 205	3 187 097
	Less: Transfer of Current Portion - Note 5	(386 430)	(374 776)
	Balance 30 June	2 984 775	2 812 321
	<u>Ex-gratia Pension</u>		
	Balance 1 July	1 223 768	1 224 279
	Contribution for the year	-	-
	Interest Cost	104 884	110 287
	Expenditure for the year	(70 156)	(386 195)
	Actuarial Loss/(Gain)	61 020	275 397
	Total Ex-gratia Pension 30 June	1 319 516	1 223 768
	Less: Transfer of Current Portion - Note 5	-	(70 156)
	Balance 30 June	1 319 516	1 153 612
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	12 004 326	11 249 234
	Contribution for the year	705 125	666 413
	Interest cost	984 484	925 053
	Expenditure for the year	(694 786)	(1 043 241)
	Actuarial Loss/(Gain)	729 798	206 867
	Total employee benefits 30 June	13 728 947	12 004 326
	Less: Transfer of Current Portion - Note 5	(639 222)	(678 956)
	Balance 30 June	13 089 725	11 325 371
2.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	141	
	Continuation members (e.g. Retirees, widows, orphans)	8	
	Total Members	149	
		2012 R	2011 R
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	6 628 303	5 568 765
	Continuation members	2 409 923	2 024 696
	Total Liability	9 038 226	7 593 461

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2 EMPLOYEE BENEFITS (CONTINUE)					
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:					
					2010
					R
In-service members					5 114 066
Continuation members					1 859 376
Total Liability					6 973 442
The municipality makes monthly contributions for health care arrangements to the following medical aid					
Bonitas;					
Hosmed					
LA Health					
Samwumed; and					
Key health.					
				2012	
Key actuarial assumptions used:				%	
i) Rate of interest					
Discount rate				8.02%	
Health Care Cost Inflation Rate				7.09%	
Net Effective Discount Rate				0.87%	
ii) Mortality rates					
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.					
iii) Normal retirement age					
It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.					
				2012	2011
				R	R
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations				9 038 226	7 593 461
Total Liability				9 038 226	7 593 461
The fund is wholly unfunded.					
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).					
Reconciliation of present value of fund obligation:					
Present value of fund obligation at the beginning of the year				7 593 461	6 973 442
Total expenses				792 836	719 427
Current service cost				389 442	360 465
Interest Cost				653 248	598 842
Benefits Paid				(249 854)	(239 880)
Actuarial (gains)/losses				651 929	(99 408)
Present value of fund obligation at the end of the year				9 038 226	7 593 461
Less: Transfer of Current Portion - Note 5				(252 792)	(234 024)
Balance 30 June				8 785 434	7 359 437
Sensitivity Analysis on the Accrued Liability					
		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Central Assumptions		6.628	2.410	9.038	
The effect of movements in the assumptions are as follows:					
		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption	Change				
Health care inflation	1%	8.000	2.565	10.565	17%
Health care inflation	-1%	5.526	2.273	7.799	-14%
Post-retirement mortality	-1 year	6.918	2.528	9.446	5%
Average retirement age	-1 year	7.397	2.410	9.807	9%
Withdrawal Rate	-50%	7.177	2.410	9.587	6%

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2	EMPLOYEE BENEFITS (CONTINUE)		2012	2011
2.2	Long Service Bonuses			
	The Long Service Bonus plans are defined benefit plans.			
	As at year end, the following number of employees were eligible for Long Service Bonuses.		85	
	Key actuarial assumptions used:		2012	
	i) Rate of interest		%	
	Discount rate		7.21%	
	General Salary Inflation (long-term)		5.56%	
	Net Effective Discount Rate applied to salary-related Long Service Bonuses		1.56%	
			2012	2011
	The amounts recognised in the Statement of Financial Position are as follows:			
	Present value of fund obligations		3 371 205	3 187 097
	Net liability		3 371 205	3 187 097
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
				2010
				R
	Total Liability			3 051 513
			2012	2011
	Reconciliation of present value of fund obligation:		R	R
	Present value of fund obligation at the beginning of the year		3 187 097	3 051 513
	Total expenses		167 259	104 706
	Current service cost		315 683	305 948
	Interest Cost		226 352	215 924
	Benefits Paid		(374 776)	(417 166)
	Actuarial (gains)/losses		16 849	30 878
	Present value of fund obligation at the end of the year		3 371 205	3 187 097
	Less: Transfer of Current Portion - Note 5		(386 430)	(374 776)
	Balance 30 June		2 984 775	2 812 321
	Sensitivity Analysis on the Unfunded Accrued Liability			
	Assumption	Change	Liability (R)	% change
	Central assumptions		3.371	
	General salary inflation	1.00%	3.401	1%
	General salary inflation	-1.00%	3.354	-1%
	Average retirement age	-2 yrs	2.976	-12%
	Average retirement age	+2 yrs	3.746	11%
	Withdrawal rates	-50.00%	3.746	11%
2.3	Ex-gratia Pension			
	The Ex-gratia Pension plans are defined benefit plans.			
	As at year end, the following number of employees were eligible for Ex-gratia Pension.		22	
	Key actuarial assumptions used:		2012	
	i) Rate of interest		%	
	Discount rate		8.51%	
	General Salary Inflation (long-term)		6.86%	
	Net Effective Discount Rate applied to salary-related Long Service Bonuses		1.54%	
			2012	2011
			R	R
	The amounts recognised in the Statement of Financial Position are as follows:			
	Present value of fund obligations		1 319 516	1 223 768
	Net liability		1 319 516	1 223 768

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2 EMPLOYEE BENEFITS (CONTINUE)				
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:				
				2010
				R
Total Liability				1 224 279
			2012	2011
			R	R
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year			1 223 768	1 224 279
Total expenses			34 728	(275 908)
Current service cost			-	-
Interest Cost			104 884	110 287
Benefits Paid			(70 156)	(386 195)
Actuarial (gains)/losses			61 020	275 397
Present value of fund obligation at the end of the year			1 319 516	1 223 768
Less: Transfer of Current Portion - Note			-	(70 156)
Balance 30 June			1 319 516	1 153 612
Sensitivity Analysis on the Unfunded Accrued Liability				
Assumption	Change	Liability (R)	% change	
Central assumptions		1 319 516		
General salary inflation	1.00%	1 412 208	7.0%	
General salary inflation	-1.00%	1 237 237	-6.2%	
Average retirement age	-2 yrs	1 318 175	-0.1%	
Average retirement age	+2 yrs	1 338 717	1.5%	
Withdrawal rates	-50.00%	1 321 049	0.1%	
2.4 Retirement funds				
The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.				
As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.				
Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.				
CAPE RETIREMENT FUND		Contributing members		
The contribution rate payable is 9% by members and 18% by Council.		40 (Employees 38 & 2 Councillors)	2012	
Contributions paid recognised in the Statement of Financial Performance				910 950
NATIONAL FUND FOR MUNICIPAL WORKERS		Contributing members		
The contribution rate payable is 9% by members and 18% by Council.		8	2012	
Contributions paid recognised in the Statement of Financial Performance				110 921

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2

EMPLOYEE BENEFITS (CONTINUE)

DEFINED CONTRIBUTION FUNDS

Council contribute to the South African Local Authorities Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	Last Actuarial Valuation	Contributing members
South African Local Authorities Pension Fund	2011/06/30	8
SAMWU National Provident Fund	2008/06/30	94

The funding level for SALA pension fund had improved from the previous valuation date (96% as at 30 June 2010) to 98% as at 30 June 2011. The fund's actuary recommended that the participating employers continue to contribute at the rate of 20.78% which prevailed prior to the 30 June 2011 valuation.

Note: The latest result of the actuarial valuation for SAMWU National Provident Fund are 30 June 2008.

Contributions paid recognised in the Statement of Financial Performance

Sala Pension Fund	71 543
SAMWU National Provident Fund	1 275 850
	1 347 393

3NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Total Non-current Provisions

The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial position. The provision is calculated in order to finance the rehabilitation cost of each cell on the site reaches 100% capacity. The short term portion of the provision has bearing to the rehabilitation cost of specific cell that will be closed; within the next 12 months. The landfill sites in operation are Prieska; Marydale and Niekerkshoop.

Landfill Sites

Balance 1 July

Contribution for the year

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 6

Balance 30 June

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Prieska	Marydale	Niekerkshoop
Area (m²)	36 750	5 060	32 700
Rehabilitation volume (m³)	8 350	3 270	6 110
Capacity use of existing cell (%)	23%	65%	19%

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation of cell in use
		2012
		R
Prieska landfill site is located approximately 600m South East from the town of Prieska	2018	1 242 160
Marydale landfill site is located approximately 500m North of the town of Marydale	2031	230 949
Niekerkshoop landfill site located approximately 600m West of the town of Niekerkshoop	2014	1 287 124
		2 760 233

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		2012	2011
		R	R
4	CONSUMER DEPOSITS		
	Municipal services	483 058	450 198
	Total Consumer Deposits	483 058	450 198
	Guarantees held in lieu of Electricity and Water Deposits	-	-
	The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
5	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 2	252 792	234 024
	Current Portion of Long-Service Provisions - Note 2	386 430	374 776
	Current Portion of Ex gratia Pension Provisions - Note 2	-	70 156
	Provision for Staff Leave	1 821 316	1 126 260
	Staff Bonuses accrued	673 497	529 492
	Provision for TASK Evaluation	416 548	416 548
	Total Current Employee Benefits	3 550 583	2 751 255
	Balance previously reported		1 655 751
	Correction of error - Refer to note 33.2		1 095 503
			2 751 255
	The movement in current employee benefits is reconciled as follows:		
	<u>Provision for Staff Leave</u>		
	Balance at beginning of year	1 126 260	613 657
	Contribution to current portion	718 917	562 205
	Expenditure incurred	(23 861)	(49 603)
	Balance at end of year	1 821 316	1 126 260
	Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
	<u>Staff Bonuses accrued</u>		
	Balance at beginning of year	529 492	378 912
	Contribution to current portion	1 323 535	959 230
	Expenditure incurred	(1 179 530)	(808 651)
	Balance at end of year	673 497	529 492
	Bonuses are being paid to all permanent employed municipal staff, including section 57 Managers. The balance at year end; represent to portion of the bonus that have already vested for the current salary cycle.		
	<u>Provision for TASK Evaluation</u>		
	Balance at beginning of year	416 548	-
	Contribution to current portion	-	416 548
	Expenditure incurred	-	-
	Balance at end of year	416 548	416 548
	The results of the job evaluation as per the TASK job evaluation system in terms of clause 7.2.6 of the collective agreement; has been partially paid. All basic salary expenses was paid out but the overtime; standby and other related employee benefits is still outstanding. This will only be paid out during the 2012/2013 financial year as per agreement with the local unions.		
6	PROVISIONS		
	Current Portion of Rehabilitation of Landfill-sites - Note 3	2 760 233	-
	Total Provisions	2 760 233	-

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7		2012 R	2011 R
	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	10 172 044	6 018 147
	Payments received in advance	1 537 170	384 126
	Third party payments (Payroll)	1 392 459	1 437 890
	Dept Transport - Vehicle licensing	62 828	56 264
	Department of Safety - Agency services	371 578	371 578
	Sundry Deposits	3 944	3 944
	Sundry Creditors	40	40
	Other	1 452 692	291
	Total Trade Payables	14 992 756	8 272 280
	Balance previously reported		8 416 259
	Correction of error - Refer to note 33.3		(143 979)
			8 272 280
	Payables are being recognised net of any discounts.		
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary		
	The carrying value of trade and other payables approximates its fair value.		
	All payables are unsecured.		
	Sundry deposits include hall, tender and other general deposits.		
	The Municipality did not default on any of their payables		
8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	2 053 144	1 655 323
	National Government Grants	1 278 926	735 457
	Provincial Government Grants	774 219	870 318
	Other	-	49 547
	Less: Unpaid Grants	265 810	-
	National Government Grants	265 810	-
	Total Conditional Grants and Receipts	1 787 334	1 655 323
	Reconciliation of total grants and receipts		
	See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
9	TAXES		
	VAT RECEIVABLE/(PAYABLE)	4 745 526	3 892 045
	Less: Provision for impairment of receivables	(2 247 719)	(2 102 827)
	NET VAT RECEIVABLE/(PAYABLE)	2 497 806	1 789 217
	VAT is receivable/payable on the cash basis.		
	Balance previously reported		(587 934)
	Correction of error - Refer to note 33.10		(2 377 152)
			1 789 217
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	2 102 827	1 579 323
	Contribution to provision/(Reversal of provision) - Exchange transactions	117 126	504 209
	Contribution to provision/(Reversal of provision) - Non-exchange transactions	27 766	19 295
	Bad Debts Written Off	-	-
	Balance at end of year	2 247 719	2 102 827

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PROPERTY, PLANT AND EQUIPMENT															
10.1	30 JUNE 2012														

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)															
13.2 30 JUNE 2011															
Reconciliation of Carrying Value	Cost					Accumulated Depreciation				Accumulated Impairment				Carrying Value	
	Opening Balance	Correction of error	Additions	WIP	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	33 700 300	-	-	-	33 700 300	598 260	199 420	-	797 680	-	-	-	-	32 902 620	
Land	13 758 300		-	-	13 758 300	-	-	-	-				-	13 758 300	
Buildings	19 942 000		-	-	19 942 000	598 260	199 420	-	797 680				-	19 144 320	
Infrastructure	241 251 295	-	-	12 122 011	253 373 306	25 578 093	8 646 227	-	34 224 319	-	-	-	-	219 148 986	
Main: Roads	107 683 400		-	4 958 026	112 641 426	15 955 001	5 318 334	-	21 273 335				-	91 368 091	
Main: Electricity	18 338 811		-	-	18 338 811	1 117 782	387 219	-	1 505 001				-	16 833 810	
Main: Waste Water Management	51 404 321		-	-	51 404 321	3 451 068	1 193 791	-	4 644 858				-	46 759 463	
Main: Water	63 824 762		-	7 163 985	70 988 747	5 054 242	1 746 884	-	6 801 126		-		-	64 187 622	
Other Assets	3 789 707	-	378 834	-	4 168 540	1 378 419	459 473	-	1 837 892	-	-	-	-	2 330 648	
Motor Vehicles	2 503 322		-	-	2 503 322	929 150	309 717	-	1 238 866				-	1 264 456	
Plant & Equipment	13 683		-	-	13 683	5 086	1 695	-	6 782				-	6 902	
Office Equipment	134 372		378 834	-	513 206	43 824	14 608	-	58 432				-	454 775	
Furniture & Fittings	524 258		-	-	524 258	210 921	70 307	-	281 228				-	243 030	
Tools & Equipment	146 076		-	-	146 076	51 259	17 086	-	68 346				-	77 730	
Computer Equipment	426 519		-	-	426 519	122 960	40 987	-	163 947				-	262 571	
Computer Software	-		-	-	0	-	-	-	-				-	-	
Fencing	-		-	-	0	-	-	-	-				-	-	
Inventory items	41 476		-	-	41 476	15 219	5 073	-	20 291				-	21 185	
	278 741 301	-	378 834	12 122 011	291 242 146	27 554 772	9 305 120	-	36 859 891	-	-	-	-	254 382 255	

	PROPERTY, PLANT AND EQUIPMENT (CONTINUE)	2012 R	2011 R
10	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Infrastructure	7 926	-
		7 926	-
		2012	2011
		R	R
11	LONG-TERM RECEIVABLES		
	Staff Housing Loans - At amortised cost	107 514	118 929
		107 514	118 929
	<u>Less:</u> Current portion transferred to current receivables	(27 972)	(13 115)
		79 542	105 814
	<u>Less:</u> Provision for Impairment	(10 544)	-
	Total Long Term Receivables	68 998	105 814
	Balance previously reported		101 840
	Correction of error - Refer to note 33.4		3 974
			105 814
	The carrying amount of these assets approximates their fair value.		
	STAFF HOUSING LOANS		
	No new housing loans are granted to officials of the municipality. These housing loans; granted prior to the implementation of the MFMA; is still collectable. Staff members were entitled to housing loans which attract interest between 11.5% and 16% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2023.		
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	-	-
	Contribution to provision/(Reversal of provision)	10 544	-
	Bad Debts Written Off	-	-
	Balance at end of year	10 544	-
12	INVENTORY		
	Maintenance Materials - At cost	306 007	211 465
	Water – at cost	12 764	7 635
	Total Inventory	318 771	219 100
	The FIFO method was applied. The inventory system is currently manually operated and all calculations of the value for 2012 were performed manually. An implementation plan for a computerised inventory system was developed; the system will be fully operational by the end of June 2013.		
	No inventory assets were pledged as security for liabilities.		
	Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively: Water		7 635

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13	RECEIVABLES FROM EXCHANGE TRANSACTIONS	2012 R	2011 R
	Electricity	1 835 502	1 077 347
	Water	9 702 007	8 822 192
	Refuse	1 654 491	1 354 789
	Sewerage	6 649 224	5 906 516
	Rental	28 444	21 647
	Other Consumer Debtors	1 086 166	778 037
	Sundry Receivables	975 070	911 626
	Other Deposits	25 033	23 341
	Total Receivables from Exchange Transactions	21 955 938	18 895 494
	Less: Provision for Impairment	(17 641 456)	(16 509 066)
	Total Net Receivables from Exchange Transactions	4 314 481	2 386 429
	Balance previously reported		1 825 196
	Correction of error - Refer to note 33.6		561 232
			2 386 429
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. The outstanding consumer accounts are secured by the consumer deposits paid only.		
	Ageing of Receivables from Exchange Transactions:	2012 R	2011 R
	<u>(Electricity): Ageing</u>		
	Current (0 - 30 days)	1 028 147	722 457
	31 - 60 Days	114 728	72 655
	61 - 90 Days	94 378	44 983
	+ 90 Days	465 365	237 252
	Total	1 702 618	1 077 347
	<u>(Water): Ageing</u>		
	Current (0 - 30 days)	1 253 165	282 343
	31 - 60 Days	229 540	171 276
	61 - 90 Days	246 157	162 674
	+ 90 Days	7 891 550	8 205 900
	Total	9 620 412	8 822 192
	<u>(Refuse): Ageing</u>		
	Current (0 - 30 days)	129 425	79 732
	31 - 60 Days	38 225	43 394
	61 - 90 Days	35 855	34 633
	+ 90 Days	1 433 842	1 197 030
	Total	1 637 347	1 354 789
	<u>(Sewerage): Ageing</u>		
	Current (0 - 30 days)	332 103	264 291
	31 - 60 Days	93 003	160 321
	61 - 90 Days	85 496	139 609
	+ 90 Days	6 116 543	5 342 294
	Total	6 627 144	5 906 516
	<u>(Rental): Ageing</u>		
	Current (0 - 30 days)	5 413	4 048
	31 - 60 Days	505	714
	61 - 90 Days	505	476
	+ 90 Days	21 842	16 409
	Total	28 265	21 647
	<u>(Other billing debtors): Ageing</u>		
	Current (0 - 30 days)	102 576	78 121
	31 - 60 Days	44 565	51 598
	61 - 90 Days	44 283	24 814
	+ 90 Days	884 438	623 503
	Total	1 075 862	778 037
	<u>(Total): Ageing</u>		
	Current (0 - 30 days)	2 850 828	1 430 993
	31 - 60 Days	520 566	499 957
	61 - 90 Days	506 674	407 189
	+ 90 Days	16 813 580	15 622 388
	Total	20 691 648	17 960 527

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13	RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continue)	2012 R	2011 R
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	16 509 066	12 625 391
	Contribution to provision/(Reversal of provision)	1 132 390	3 883 675
	Bad Debts Written Off	-	-
	Balance at end of year	17 641 456	16 509 066
	The Provision for Impairment could be allocated between the different classes of receivables as follows:		
	Electricity	448 386	230 401
	Water	8 507 271	8 643 321
	Refuse	1 529 888	1 308 794
	Sewerage	6 235 619	5 665 688
	Other	920 292	660 863
		17 641 456	16 509 066
	Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
14	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2012 R	2011 R
	Rates	9 978 443	8 221 631
	Other Receivables	1 871 285	1 602 509
	Availability charges	887 672	646 712
	Building clauses	22 216	14 997
	Other debtors	62 088	52 158
	Pixley Ka Seme District Municipality	9 067	9 067
	Receivables sundry	883 349	867 627
	Other	6 894	11 948
	Total Receivables from Non-Exchange Transactions	11 849 728	9 824 140
	Less: Provision for Impairment	(9 817 332)	(8 599 185)
	Total Net Receivables from Non-Exchange Transactions	2 032 396	1 224 955
	Balance previously reported		959 755
	Correction of error - Refer to note		265 201
			1 224 955
	Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.		
	Ageing of Receivables from Non-Exchange Transactions:		
	<u>(Rates): Ageing</u>		
	Current (0 - 30 days)	501 581	326 590
	31 - 60 Days	135 968	163 020
	61 - 90 Days	131 114	153 944
	+ 90 Days	9 021 192	7 578 077
	Total	9 789 856	8 221 631
	<u>(Other billing debtors): Ageing</u>		
	Current (0 - 30 days)	51 957	25 250
	31 - 60 Days	23 577	21 726
	61 - 90 Days	23 181	24 437
	+ 90 Days	871 430	642 454
	Total	970 144	713 868
	<u>(Total): Ageing</u>		
	Current (0 - 30 days)	553 538	351 840
	31 - 60 Days	159 545	184 746
	61 - 90 Days	154 295	178 381
	+ 90 Days	9 892 622	8 220 532
	Total	10 760 000	8 935 499

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14	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continue)	2012	2011
		R	R
	Reconciliation of Provision for Impairment		
	Balance at beginning of year	8 599 185	7 528 673
	Contribution to provision/(Reversal of provision)	1 218 147	1 070 512
	Bad Debts Written Off	-	-
	Balance at end of year	9 817 332	8 599 185
	The provision for impairment could be allocated between the different classes of receivables as follows:		
	Property rates	8 877 387	7 904 367
	Other	939 945	694 818
		9 817 332	8 599 185
	Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
15	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor (Asset)		
	Balance on 1 July	14 991	8 628
	Movement during the year	2 558	6 363
	Balance on 30 June	17 549	14 991
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	95 454	89 855
	1 to 5 Years	159 247	243 725
	More than 5 Years	37 566	48 542
	Total Operating Lease Arrangements	292 267	382 121
	Balance previously reported		8 492
	Correction of error - Refer to note 33.8		6 499
			14 991
	This lease income was determined from contracts that have a specific conditional income. It does not include lease income which has a undetermined conditional income.		
	The municipality does not engage in any sub-lease arrangements.		
	The municipality did not receive any contingent rent during the year		
	The leases are in respect of land and buildings being leased out for periods ranging until 2020		
16	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	2 049 682	754 950
	Cash Floats	800	800
	Total Cash and Cash Equivalents - Assets	2 050 482	755 750
	Liabilities		
	Primary Bank Account	726 421	578 986
	Total Cash and Cash Equivalents - Liabilities	726 421	578 986
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The Municipality do not have a bank overdraft facility with ABSA as at 30 June 2012.		

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16	CASH AND CASH EQUIVALENTS (Continue)		
	The municipality has the following bank accounts:		
	Current Accounts	2012 R	2011 R
	Primary Bank account	(726 421)	(578 986)
		(726 421)	(578 986)
	Primary Bank account Prieska ABSA - Account Number 40-5355-2997		
	Cash book balance at beginning of year	(578 986)	(571 962)
	Cash book balance at end of year	(726 421)	(578 986)
	Bank statement balance at beginning of year	(477 645)	(568 012)
	Bank statement balance at end of year	(328 404)	(477 645)
	Call Investment Deposits		
	Call investment deposits consist of the following accounts:		
	ABSA Account Number/s: 92-0404-6778 & 92-4849-1222	2 049 682	754 950
		2 049 682	754 950
17	PROPERTY RATES		
	Actual		
	Rateable Land and Buildings	4 687 033	6 246 033
	Residential, Commercial Property, State	4 948 793	5 729 124
	Agricultural	(261 761)	516 909
	Less: Rebates	-	(1 376 344)
	Total Assessment Rates	4 687 033	4 869 689
	Valuations		
	Rateable Land and Buildings:		
	Residential	160 332 000	164 484 600
	Agricultural	431 785 000	1 189 250 065
	Government	33 561 000	33 559 000
	Business & Commercial	37 843 300	33 804 000
	Municipal & Exempt Properties	43 134 300	43 262 300
	Total Assessment Rates	706 655 600	1 464 359 965
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.		
	Rates:		
	Residential	0.02195	0.02066
	Commercial & Industrial	0.02853	0.02667
	Government	0.04389	0.04133
	Public Sector Infrastructure	0.00549	0.00517
	Agricultural	0.00048	0.00045
	Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.		
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

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18	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
	Unconditional Grants	17 829 000	15 440 466
	Equitable Share	17 829 000	15 440 466
	Conditional Grants	20 334 921	16 643 148
	Grants and donations	20 334 921	16 643 148
	Subsidies	-	-
	Total Government Grants and Subsidies	38 163 921	32 083 614
	Government Grants and Subsidies - Capital	16 102 694	13 819 075
	Government Grants and Subsidies - Operating	22 338 988	18 264 539
		38 441 682	32 083 614
	Balance previously reported		32 083 614
	Correction of error - Refer to note 33.8		-
			32 083 614
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	17 829 000	15 440 466
	Budget & Treasury	1 950 937	1 950 000
	Community and Social Services	580 000	360 000
	Planning and Development	10 246 000	8 336 360
	Road Transport	1 701 291	5 652 150
	Water	5 856 694	344 638
		38 163 921	32 083 614
	The municipality does not expect any significant changes to the level of grants.		
18.1	Equitable share		
	Opening balance	-	-
	Grants received	17 829 000	15 440 466
	Conditions met - Operating	(17 829 000)	(15 440 466)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
18.2	Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	1 450 000	1 200 000
	Conditions met - Operating	(1 160 937)	(1 200 000)
	Conditions met - Capital	-	-
	Conditions still to be met	289 063	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
18.3	Municipal Systems Improvement Grant		
	Opening balance	-	-
	Grants received	790 000	750 000
	Conditions met - Operating	(790 000)	(750 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The MSG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		

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18	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012 R	2011 R
18.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	735 457	3 376 382
	Grants received	10 246 000	5 526 000
	Conditions met - Operating	-	-
	Conditions met - Capital	(10 246 000)	(8 166 925)
	Conditions still to be met	735 457	735 457
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
18.5	Housing Grant		
	Opening balance	349 669	-
	Grants received	-	519 104
	Conditions met - Operating	-	(169 436)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	349 669	349 669
	Housing grants was utilised for the development of even; erection of top structures and the installing of basic service infrastructure; for example Water; Streets and Sewerage.		
18.6	Integrated National Electrification Grant		
	Opening balance	-	-
	Grants received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	-	-
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
18.7	Other Grants		
	Opening balance	570 197	49 547
	Grants received	8 258 693	22 317 904
	Conditions met - Operating	(2 559 052)	(16 145 104)
	Conditions met - Capital	(5 856 694)	(5 652 150)
	Conditions still to be met	413 145	570 197
	Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
18.8	Total Grants		
	Opening balance	1 655 323	3 425 929
	Grants received	38 573 694	45 753 474
	Conditions met - Operating	(22 338 988)	(33 705 005)
	Conditions met - Capital	(16 102 694)	(13 819 075)
	Conditions still to be met/(Grant expenditure to be recovered)	1 787 334	1 655 323
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	2 053 144	1 655 323
	Unpaid Conditional Government Grants and Receipts	(265 810)	-
		1 787 334	1 655 323
19	OTHER REVENUE		
	Reversal of Debt impairment	-	158 068
	Sundry revenue	35 496	-
	Total Other Income	35 496	158 068
	Sundry revenue represents revenue from non exchange such as SETA revenue and taxes for items not included elsewhere.		

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20	SERVICE CHARGES	2012 R	2011 R
	Electricity	10 026 571	8 324 146
	Water	4 957 107	6 681 933
	Refuse removal	1 525 065	1 368 891
	Sewerage and Sanitation Charges	4 677 967	4 384 260
		21 186 710	20 759 230
	Less: Rebates	(5 324 854)	(3 834 115)
	Total Service Charges	15 861 856	16 925 115
	Balance previously reported		16 854 636
	Correction of error - Refer to note 33.9		70 478
			16 925 115
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
21	OTHER INCOME		
	Administration Fees	36 124	79 764
	Building Plan Fees	11 380	21 139
	Charges for installation	56 637	168 221
	Charges for re-installation	59 285	16 970
	Garden refuse and Garbage	39 072	34 595
	Interest - Longterm receivables	15 527	4 535
	Reversal of Debt impairment	121 244	572 746
	Sand sales	914	2 626
	Tombfees	25 792	20 376
	Unknown Receipts	(103 681)	152 964
	Valuation Certificate	18 932	5 669
	Sundry Income	47 276	108 193
	Total Other Income	328 501	1 187 799
	Sundry income represents sundry income such as cleaning of sites, private work and		
22	EMPLOYEE RELATED COSTS	2012 R	2011 R
	Salaries and Wages	15 952 272	11 665 694
	Annual bonus	2 039 216	1 778 078
	Bargaining Council Levy	22 482	13 141
	Contributions for UIF, pensions and medical aids	3 198 874	83 067
	Housing Subsidy	78 623	-
	Leave Contribution	3 236	4 352 148
	Long service awards	315 683	305 948
	Overtime	1 172 764	927 355
	Post Employment Health	389 442	360 465
	Travel, motor car, telephone, assistance and other allowances	1 280 920	1 907 566
		24 453 512	21 393 462
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	24 453 512	21 393 462
	KEY MANAGEMENT PERSONNEL		
	The Municipal Manager was appointed on a 5-year fixed term contract but resigned 30 April 2012. The Chief Financial officer was appointed on a 5-year fixed term contract. There are no post-employment or termination benefits payable to them at the end of the contract period. It should be noted that the Manager Technical services are appointed with a permanent contract. Therefore Council will be liable for post-employment benefits as well as termination benefits in the case of the Manager Technical Services.		

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22	EMPLOYEE RELATED COSTS (Continue)		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL	2012	2011
		R	R
	<i>Remuneration of the Municipal Manager</i>		
	Annual Remuneration	522 300	498 041
	Car Allowance	144 146	144 146
	Annual Bonus	40 409	40 409
	Telephone allowance	12 000	12 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	188 973	134 295
	Additional travel	54 890	50 338
	Total	962 717	879 229
	<i>Remuneration of the Manager Technical Services</i>		
	Annual Remuneration	378 000	356 188
	Car Allowance	91 200	90 000
	Annual Bonus	31 500	29 000
	Telephone allowance	4 620	4 620
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	142 872	77 665
	Additional travel	18 662	12 883
	Total	666 854	570 356
	<i>Remuneration of the Director Financial Services</i>		
	Annual Remuneration	560 040	484 648
	Car Allowance	84 000	84 000
	Annual Bonus	46 670	33 000
	Telephone allowance	9 000	9 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	61 680	31 183
	Additional travel	87 142	154 108
	Total	848 532	795 939
23	REMUNERATION OF COUNCILLORS		
	Speaker	521 631	426 844
	Councillors	1 299 807	1 046 750
	Total Councillors' Remuneration	1 821 438	1 473 593
	<i>In-kind Benefits</i>		
	The Speaker is full-time and all the committee members are part-time. The Speaker are provided with secretarial support and an office at the cost of the Council.		
24	DEBT IMPAIRMENT		
	Long term Receivables - Note 11	10 544	-
	Trade Receivables from exchange transactions - Note 13	1 136 509	3 952 212
	Trade Receivables from non-exchange transactions - Note 14	1 190 381	1 209 285
	Total Contribution to Debt Impairment	2 337 434	5 161 497
25	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	9 181 751	9 305 120
	Capitalised Restoration Cost	-	-
	Investment Property	-	-
	Intangible Assets	-	-
		9 181 751	9 305 120
26	IMPAIRMENTS		
	Property Plant & Equipment	7 926	-
		7 926	-

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		2012	2011
		R	R
27	FINANCE CHARGES		
	Bank Overdraft	-	5 555
	Creditors	3 023	22
	Ex-gratia pension	104 884	110 287
	Finance leases	42 787	-
	Long service awards	226 352	215 924
	Long-term Liabilities	40 069	1 269
	Post Employment Health	653 248	598 842
	Total finance charges	1 070 363	931 899
	Balance previously reported		6 846
	Correction of error - Refer to note 33.1		925 053
			931 899
28	BULK PURCHASES		
	Electricity	8 774 981	6 398 318
	Water	670 560	99 819
	Total Bulk Purchases	9 445 542	6 498 136
29	GRANTS AND SUBSIDIES		
	Donations	8 060	3 055
	Funerals	(1 800)	19 914
	Other	-	78 320
	Total Grants and Subsidies	6 260	101 289
30	OPERATING GRANT EXPENDITURE		
	Operating grant expenditure per Municipal vote		
	Budget & Treasury	1 779 334	2 517 201
	Community and Social Services	66 432	-
	Executive & Council	743 211	62 434
	Planning and Development	177 421	-0
	Road Transport	930 298	-0
	Water	2 413 512	205 365
	Total Operating grant expenditure	6 179 055	2 785 000
31	GENERAL EXPENSES		
	Adverts, Copies and Stationary	394 840	1 362 894
	Affiliation fees	197 428	2 125
	Audit Fees	1 446 732	2 050 877
	Bank Charges	141 076	99 455
	Contracted services	588 925	88 965
	Contribution: Restoration cost landfill sites	270 640	185 373
	Insurance	989 736	754 004
	IT related expenditure	218 120	53 450
	Legal Cost	8 640	36 483
	Professional Fees	249 294	961
	Rental of Equipment	49 778	188 326
	Services	(0)	224 493
	Stipend Ward Committee	34 181	312 227
	Telephone	648 674	583 506
	Training	54 160	215 614
	Travel and Subsistence	514 999	733 296
	Uniforms and Overalls	143 990	277 964
	Other	326 610	611 625
	General Expenses	6 277 824	7 781 638
	Balance previously reported		7 446 801
	Correction of error - Refer to note 33.9		334 837
			7 781 638

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32	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3	2011 R
32.1	NON-CURRENT PROVISIONS	
	Balance previously reported	
	First time implementation of Landfill site provision - Refer to note 3	2 489 593
		2 489 593
	First time implementation of Landfill site provision for the 3 sites in operation.	
33	CORRECTION OF ERROR IN TERMS OF GRAP 3	
	FINANCIAL POSITION	
33.1	EMPLOYEE BENEFITS	2011 R
	Balance previously reported	19 520
	Correction of Employee benefits - Refer to note 2	11 305 851
		11 325 371
	Correct implementation of post retirement benefits; long service awards and ex-gratia pension based on actuarial reports. In the past the in year cost was directly allocated to the Statement of Financial performance.	
33.2	CURRENT EMPLOYEE BENEFITS	
	Balance previously reported	1 655 751
	Creation of Task provision - Refer to note 5	416 548
	Current portion of Post Retirement Provision - Refer to note 5	234 024
	Current portion of Long Service Awards Provision - Refer to note 5	374 776
	Current portion of Ex-gratia Pension Provision - Refer to note 5	70 156
		2 751 255
	The implementation of non-current employee benefits such as post retirement benefits for continued medical aid; long service awards; ex-gratia pension and the provision for the implementation of Task.	
33.3	PAYABLES FROM EXCHANGE TRANSACTIONS	
	Balance previously reported	8 416 259
	Recognition of Payments received in advance - Refer to note 7	384 126
	Correcting the third party payment balance - Refer to note 7	380 948
	Reclassification - Refer to note 7	(909 053)
		8 272 280
	The payments received in advance were not taken out of the receivable in the past. The payments of third parties were in correctly allocated.	
33.4	LONG-TERM RECEIVABLES	2011 R
	Balance previously reported	101 840
	Correcting opening balances 1 July 2010 - Refer to note 11	(1 156)
	Recognition of Interest of Kapater account - Refer to note 11	5 130
		105 814
	Correcting the opening balances to be reconciling with the amortisation tables. The recognition of the interest on the housing loan of the retired employee Mr. Kapater	
33.5	INVENTORY	
	Balance previously reported	211 465
	First time measurement of water inventory - Refer to note 12	7 635
		219 100

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33	CORRECTION OF ERROR IN TERMS OF GRAP 3 (Conitnue)	
33.6	RECEIVABLES FROM EXCHANGE TRANSACTIONS	
	Balance previously reported	1 825 196
	Move of payments received in advance to Payables - Refer to note 13	264 187
	Correction of impairment provision due to VAT portion - Refer to note 13	297 046
		2 386 429
	Correcting the impairment provision in order to recognise impairment on taxes separately and deduct it from the VAT payables as well as correcting classification of Payments received in advance	
33.7	RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	
	Balance previously reported	959 755
	Move of payments received in advance to Payables - Refer to note 14	190 418
	Correction of impairment provision due to VAT portion - Refer to note 14	74 783
		1 224 955
	Correcting the impairment provision in order to recognise impairment on taxes separately and deduct it from the VAT payables as well as correcting classification of Payments received in advance	
33.8	OPERATING LEASE ARRANGEMENTS	
	Balance previously reported	8 492
	Correction of prior year calculations - Refer to note 15	6 499
		14 991
33.9	CASH AND CASH EQUIVALENTS	
	Balance previously reported	754 587
	Correcting cashier floats - Refer to note 16	800
	Correcting investment balance - Refer to note 16	(71)
	Reclassification - Refer to note 16	1 891
		755 750
33.10	TAXES	
	Balance previously reported	(587 934)
	Correcting Output VAT on transactions - Note	274 324
	Debt impairment for 2010/2011 - Refer to Statement of Financial Performance and note	523 504
	Debt impairment for prior periods - Refer to Statement of Changes in Net Assets and note	1 579 323
	Balance of Taxes - Current Liabilities	1 789 217
	The VAT portion on the impairment of exchange and non-exchange receivables were treated in the past as an expenditure item in the position of financial performance. The rest is VAT correcting transaction related to other correction of error notes.	

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33	CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)	
33.11	STATEMENT OF FINANCIAL POSITION	
	REVENUE PREVIOUSLY REPORTED	R
		55 076 792
	Actuarial gains	99 408
	An actuarial gain was recognised in the statement of financial performance based on the post retirement benefits.	
	Other revenue	158 068
	Reversal of debt impairment	
	Service charges	70 478
	Electricity sales	
	Rental of facilities and equipment	196 866
	Relates to the operating lease register entries	
	Interest earned - external investments	71
	Relates to call deposits	
	Licences and permits	2 097 051
	Reclassification of accounts	
	Agency services	(1 612 641)
	Recognition of vehicle licensing in correct period and reclassification of accounts	
	Other income	613 395
	Recognition the debt impairment reversal and the correction of long-term receivables.	
		56 699 489
		R
	EXPENDITURE PREVIOUSLY REPORTED	58 652 700
	Employee related costs	675 667
	With the correcting of post retirement benefits, Long service awards and Ex -gratia pension based on an actuarial report the in year pay-outs was reversed; the required contribution and finance charges was recognised in the statement of financial performance. The recognition of current employee benefits pay-outs were accounted for directly in the statement of financial position; whereas the physical pay-outs should have been recorded to the provisions and the necessary contributions should have been recorded in the statement of financial performance.	
	Remuneration of councillors	(249 752)
	The expenditure of continued medical contribution in respect of retired persons was incorrectly classified as remuneration of Councillors.	
	Debt impairment	(1 445 419)
	The recalculation of the impairment provision was performed in order to be able determine the impairment of VAT and reclassify/recognise it as a deduction under VAT payables.	
	Bulk purchases	(744 625)
	Recognition of bulk purchases in the correct period	
	Repairs and maintenance	(126 694)
	The recognition of water inventory required the cost of sales to be adjusted.	
	Actuarial losses	306 275
	The correcting of long service awards and ex -gratia pension; based on an actuarial report; an actuarial loss was recognised.	
	Finance charges	925 053
	The correcting of post retirement benefits, Long service awards and Ex -gratia pension; based on an actuarial report; required finance charges to be recognised against the statement of financial performance.	
	General expenses	334 837
	The implementation of the Landfill site required a contribution; apart from this the rest relates to reclassification of expenditure line items	
		58 328 043
33.12	STATEMENT OF CHANGES IN NETT ASSETS	
	Balance previously reported	248 227 721
	Cash and Cash Equivalents	800
	Consumer deposits	(109 312)
	Employee Benefits	(11 229 715)
	Inventory	6 800
	Long-term Receivables	2 062
	Non-current Provisions	(2 304 220)
	Operating Lease Arrangements	(2 042)
	Payables from Exchange Transactions	(243 576)
	Receivables from Exchange Transactions	(12 625 391)
	Receivables from Non-exchange Transactions	11 344 490
	Taxes	1 579 323
		234 646 940

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		2012	2011
		R	R
34	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH		
	Surplus/(Deficit) for the year	(1 091 335)	(1 628 555)
	Adjustments for:		
	Depreciation/Amortisation	9 181 751	9 305 120
	(Gains) on disposal of property, plant and equipment	-	(13 162)
	Impairment Loss	7 926	-
	Contributions to Non-Current Provisions	975 765	851 786
	Debt Impairment	2 361 082	4 954 186
	Actuarial Losses	729 798	206 867
	Impairment written off	7 926	-
	Finance charges	984 484	925 053
	Grants Received	38 573 694	45 753 474
	Grant Expenditure	(38 441 682)	(47 524 080)
	Operating lease income accrued	(2 558)	(6 363)
	Operating Surplus/(Deficit) before changes in working capital	13 286 849	12 824 326
	Changes in working capital	970 460	26 276 783
	Increase/(Decrease) in Payables from exchange transactions	6 720 476	4 917 601
	Increase/(Decrease) in Employee benefits	144 276	36 489
	Increase/(Decrease) in Taxes	(708 589)	(209 894)
	(Increase)/Decrease in Inventory	(99 671)	(61 478)
	(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(5 086 031)	21 594 066
	Cash generated/(absorbed) by operations	14 257 309	39 101 110
35	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 16	2 049 682	754 950
	Cash Floats - Note 16	800	800
	Bank overdraft - Note 16	(726 421)	(578 986)
	Total cash and cash equivalents	1 324 061	176 764
36	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 35	1 324 061	176 764
		1 324 061	176 764
	Less:	2 053 144	1 655 323
	Unspent Committed Conditional Grants - Note 8	2 053 144	1 655 323
	VAT - Note 9	-	-
	Resources available for working capital requirements	(729 083)	(1 478 559)
	Allocated to:		
	Capital Replacement Reserve	-	-
	Employee Benefits Reserve	16 640 308	14 076 626
	Non-Current Provisions Reserve	-	2 489 593
	Resources available for working capital requirements	(17 369 391)	(18 044 777)
37	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 1	2 510 694	350 234
	Used to finance property, plant and equipment - at cost	(2 510 694)	(350 234)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

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38	BUDGET COMPARISONS						
		2012	2012	2012	2012		
		R	R	R	R		
38.1		(Actual)	(Budget)	(Variance)	(%)		
	Operational						
	Revenue by source						
	Property Rates	4 687 033	5 700 000	(1 012 967)	-18%		
	Government Grants and Subsidies - Capital	16 102 694	-	16 102 694	100%		
	Government Grants and Subsidies - Operating	22 338 988	35 774 035	(13 435 047)	-38%		
	Public Contributions and Donations	25 750	6 500	19 250	296%		
	Fines	65 159	92 000	(26 841)	-29%		
	Other Revenue	35 496	36 000	(504)	-1%		
	Service Charges	15 861 856	21 008 055	(5 146 199)	-24%		
	Rental of Facilities and Equipment	706 564	795 000	(88 436)	-11%		
	Interest Earned - external investments	186 269	115 000	71 269	62%		
	Interest Earned - outstanding debtors	1 320 090	1 500 000	(179 910)	-12%		
	Licences and Permits	561	16 254	(15 693)	-97%		
	Agency Services	1 126 540	1 086 496	40 044	4%		
	Other Income	328 501	3 890 184	(3 561 683)	-92%		
		62 785 501	70 019 524	(7 234 023)	-10%		
	Expenditure by nature						
	Employee related costs	24 453 512	24 822 217	368 705	-1%		
	Remuneration of Councillors	1 821 438	1 902 007	80 569	-4%		
	Debt Impairment	2 337 434	800 000	(1 537 434)	192%		
	Depreciation and Amortisation	9 181 751	150 000	(9 031 751)	6021%		
	Repairs and Maintenance	2 365 934	3 226 000	860 066	-27%		
	Actuarial losses	729 798	-	(729 798)	-100%		
	Finance Charges	1 070 363	107 044	(963 319)	900%		
	Bulk Purchases	9 445 542	11 073 008	1 627 466	-15%		
	Grants and Subsidies	6 260	10 000	3 740	-37%		
	Operating Grant Expenditure	6 179 055	18 936 035	12 756 980	-67%		
	General Expenses	6 277 824	8 993 213	2 715 389	-30%		
		63 876 836	70 019 524	6 142 688	-9%		
	Net Surplus for the year	(1 091 335)	(0)	(1 091 335)			
	The budget amount above differs from the approved adjustment budget due to the following:						
	1. Interdepartmental charges for municipal services included as a expenditure R 1,493,523; and						
	2. Revenue forgone was included as a expenditure line item whilst it should have been deducted from revenue R 5,800,000.						
	Apart from above variances the capital budget amount of R 16,825,000 was included as operational expenditure line items in the adjustment budget; this whilst the approved capital budget by GFS; Funding sources and Vote do not balance as per schedule A5 of the budget schedules submitted.						
		2012	2012	2012	2012		
38.2		R	R	R	R		
		(Actual)	(Budget)	(Variance)	(%)		
	Expenditure by Vote						
	Budget & Treasury	18 084 520	9 439 000	8 645 520	92%		
	Community and Social Services	1 158 989	1 795 350	(636 361)	-35%		
	Corporate Services	1 417 998	1 352 975	65 023	5%		
	Electricity	9 397 781	12 100 412	(2 702 630)	-22%		
	Executive & Council	10 433 434	10 388 372	45 062	0%		
	Health	6 975	10 000	(3 025)	-30%		
	Planning and Development	6 996 410	18 558 289	(11 561 879)	-62%		
	Public Safety	569	6 000	(5 431)	-91%		
	Road Transport	2 494 304	2 719 826	(225 522)	-8%		
	Waste Management	2 953 178	2 778 000	175 178	6%		
	Waste Water Management	3 845 289	3 425 000	420 289	12%		
	Water	7 087 389	7 446 300	(358 911)	-5%		
		63 876 836	70 019 524	(6 142 688)	-9%		
	Refer to note 38.1 for an explanation of the variances between the approved adjustment budget and the budget amounts as disclosed above.						
	The over expenditure on the votes can best be described as follow:						
	Budget & Treasury – Due to depreciation charges						
	Corporate services – Due to annual bonus and finance charges of post retirement benefits						
	Executive & Council – Due to debt impairment						
	Waste Management – Due to landfill site restoration cost						
	Waste Water Management – Due to debt impairment and annual bonus						

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40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	2011 R
40.1	Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
	Opening balance	-	-
	Council subscriptions	210 500	100 000
	Amount paid - current year	(210 500)	(100 000)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	-	-
40.2	Audit fees - [MFMA 125 (1)(c)]		
	Opening balance	1 769 676	1 603 054
	Current year audit fee	1 645 617	866 622
	External Audit - Auditor-General	1 645 617	866 622
	Audit Committee	-	-
	Amount paid - current year	-	(700 000)
	Amount paid - previous year	(200 000)	-
	Balance unpaid (included in creditors)	3 215 293	1 769 676
40.3	PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
	Opening balance	138 808	138 808
	Current year payroll deductions and Council Contributions	3 201 266	2 151 028
	Amount paid - current year	(3 204 433)	(2 151 028)
	Balance unpaid (included in creditors)	135 641	138 808
40.4	Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
	Opening balance	31 477	-
	Current year payroll deductions and Council Contributions	4 825 381	3 328 302
	Amount paid - current year	(4 856 858)	(3 296 825)
	Balance unpaid (included in creditors)	-	31 477
40.5	Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
	The following Councillors had arrear accounts for more than 90 days as at 30 June:		
		2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
	Councillor P. Papier	-	10 879
	Councillor G. McDonald	6 587	7 323
	Councillor E. Martin	-	5 107
	Councillor J. Malepo	8 522	9 012
	Councillor B.A Titus	-	1 726
	Total Councillor Arrear Consumer Accounts	15 108	34 047
40.6	Disclosers in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005		
	Regulation 36(2) - Details of deviations any deviations approved by the Accounting Officer in terms of Regulation 36 (1)(a) and (b)		
	None		
	Regulation 45 - Details of awards made to close family members of persons in service of State		
	None		
	Regulation 45 - Details of awards made to persons who has been in the service of the State during the previous 12 months:		
	None		
40.7	Other non-compliance (MFMA 125(2)(e))		
	Non-compliance to the Supply Chain Management Regulations were identified in terms of Regulation		
	None		
	Other non-compliance issues were identified as detailed below:		
	Requirement	Relevant Legislation	Non-compliance
	The Accounting officer must promptly inform the Mayor; the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.	MFMA Sec. 34 (4) (a)	Did not inform the required authorities
	The monthly budget statement must comply with the requirements of the MFMA.	MFMA Sec. 71(2)	The monthly budget statements submitted do not comply with the legislative requirements.
	The Municipality must prepare and submit the financial statements within two months after the financial year end.	MFMA Sec. 126(1)	The financial statements of 30 June 2011 was not submitted within the timeframes.

41	FINANCIAL RISK MANAGEMENT		
	<p>The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.</p>		
	(a) Foreign Exchange Currency Risk		
	<p>The municipality did not engage in one foreign currency transaction.</p>		
	(b) Price risk		
	<p>The municipality is not exposed to price risk.</p>		
	(c) Interest Rate Risk		
	<p>As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.</p>		
	<p>The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</p>		
	<p>The municipality did not hedge against any interest rate risks during the current year.</p>		
	<p>The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:</p>		
	1% (2010 - 0.5%) Increase in interest rates	(11 874)	(871)
	0.5% (2010 - 0.5%) Decrease in interest rates	5 937	871
	(d) Credit Risk		
	<p>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.</p>		
	<p>Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p>		
	<p>Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p>		
	<p>The credit quality of receivables are assessed on individual debtors basis. The accounts are then impaired on a individual basis based on the risk profile/credit quality associated with that individual account.</p>		
	<p>All rates and services are payable within 30 days from invoice date. Refer to note 13 and 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.</p>		

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FINANCIAL RISK MANAGEMENT (Continue)				
Balances past due not impaired:				
	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	2 032 396	100.00%	1 224 955
<u>Exchange Receivables</u>				
Electricity	8.36%	360 688	5.70%	136 065
Water	44.19%	1 906 506	46.69%	1 114 209
Refuse	7.54%	325 118	7.17%	171 105
Sewerage	30.28%	1 306 615	31.26%	745 970
Other	9.63%	415 554	9.18%	219 080
	100.00%	4 314 481	100.00%	2 386 429
No receivables are pledged as security for financial liabilities.				
Due to the short term nature of receivables the carrying value disclosed in note 13 and 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.				
The provision for bad debts could be allocated between the different classes of debtors as follows:				
	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	9 817 332	100.00%	8 599 185
<u>Exchange Receivables</u>				
Electricity	8.36%	1 474 814	5.70%	941 282
Water	44.19%	7 795 501	46.69%	7 707 983
Refuse	7.54%	1 329 373	7.17%	1 183 684
Sewerage	30.28%	5 342 610	31.26%	5 160 546
Other	9.63%	1 699 158	9.18%	1 515 571
	100.00%	17 641 456	100%	16 509 066
The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.				
The entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 1 750 000 were held as security for the overdraft facility at ABSA. The Municipality has no exposure to non-current investments				
The bank utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.				
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectations of counter party default.				
Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.				
Financial assets exposed to credit risk at year end are as follows:			2012 R	2011 R
Long term receivables			96 970	118 929
Receivables from exchange transactions			4 314 481	2 386 429
Receivables from non-exchange transactions			1 871 285	1 602 509
Cash and Cash Equivalents			2 050 482	755 750
Unpaid conditional grants and subsidies			265 810	-
			8 599 028	4 863 611

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41	FINANCIAL RISK MANAGEMENT (Continue)				
	(e) Liquidity Risk				
	<p>Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.</p> <p>The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.</p>				
		Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012					
	Long Term liabilities - Finance Lease Liability	103 753	256 530	-	-
	Capital repayments	68 667	222 810	-	-
	Interest	35 086	33 720	-	-
	Long Term liabilities - Hire purchase Liability	448 036	1 792 143	801 929	-
	Capital repayments	245 452	1 231 535	730 906	-
	Interest	202 584	560 608	71 024	-
	Provisions - Landfill Sites	2 760 233	-	-	-
	Capital repayments	2 760 233			
	Trade and Other Payables	11 624 777	-	-	-
	Unspent conditional government grants and receipts	2 053 144	-	-	-
	Cash and Cash Equivalents	726 421			
		17 268 328	256 530	-	-
		Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011					
	Long Term liabilities - Finance Lease Liability	90 220	103 753	256 530	-
	Capital repayments	47 433	68 667	222 810	-
	Interest	42 787	35 086	33 720	-
	Long Term liabilities - Hire Purchase Liability	-	-	-	-
	Capital repayments	-	-	-	-
	Interest	-	-	-	-
	Provisions - Landfill Sites	-	-	-	-
	Capital repayments	-			
	Trade and Other Payables	6 018 478	-	-	-
	Unspent conditional government grants and receipts	1 655 323	-	-	-
	Cash and Cash Equivalents	578 986			
		8 343 007	103 753	256 530	

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42	FINANCIAL INSTRUMENTS		2012 R	2011 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
42.1	Financial Assets	Classification		
	Long-term Receivables			
	Housing Loans - At amortised cost		107 514	118 929
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	4 314 481	2 386 429
	Receivables from non-exchange transactions	Financial instruments at amortised cost	1 871 285	1 602 509
	Other Receivables			
	Government Subsidies and Grants	Financial instruments at amortised cost	265 810	-
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	2 049 682	754 950
	Bank Balances and Cash			
	Cash Floats and Advances	Financial instruments at amortised cost	800	800
			8 609 572	4 863 616
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		8 609 572	4 863 616
	At amortised cost		8 609 572	4 863 616
42.2	Financial Liability	Classification		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	-	-
	Capitalised Lease Liability	Financial instruments at amortised cost	234 134	302 801
	Hire Purchase	Financial instruments at amortised cost	1 962 441	-
	Payables from exchange transactions			
	Trade Payables	Financial instruments at amortised cost	10 172 044	6 018 147
	Payments received in advance	Financial instruments at amortised cost	1 537 170	384 126
	Sundry Deposits	Financial instruments at amortised cost	40	40
	Sundry Creditors	Financial instruments at amortised cost	1 452 692	291
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	2 053 144	1 655 323
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	-	-
	Capitalised Lease Liability	Financial instruments at amortised cost	68 667	47 433
	Hire Purchase	Financial instruments at amortised cost	245 452	-
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	726 421	578 986
			18 452 206	8 987 147
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		18 452 206	8 987 147
43	EVENTS AFTER THE REPORTING DATE			
	The Municipality has no events after reporting date for the financial year ended 30 June 2012.			
44	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
45	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			

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46	CONTINGENT LIABILITY		
	Claim against Council	1 205 000	
	Estimate legal Fees	-	-
	The Municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if the claimant is successful in their action. The following is the estimate exposure:		
	Creative Harvest (Pty) Ltd	2 700 000	
	IMATU / SALGA - TASK implementation	675 775	
		3 375 775	-
	Creative Harvest (Pty) entered into a service delivery agreement with the Municipality to render the brand positioning services in 5 phases. The Municipality stopped payments due to the fact that it viewed the contract and payments made in terms of this contract as irregular. Phases 1 and 2 is completed and paid for.		
	IMATU won a court case against SALGA for not implementing the TASK evaluation results on the correct salary scales. SALGA is currently reviewing the court case outcome. The financial exposure is estimated at 2% additional salary increases to all permanent staff members.		
47	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
47.1	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 11 to the Annual Financial Statements.		
47.2	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.		
47.3	Other related party transactions		
	No purchases were made during the year where Councillors or staff have an interest.		
48	FINANCIAL SUSTAINABILITY		
	The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:		
	Financial Indicators		
	The current ratio improved from 0.45:1 from 0.75:1 in the prior year.		
	The average debtors' payment days improved from 285 days to 236 days. The debtors impairment ratio decreased to 81 % from the previous years 87%.		
	Although a bank overdraft is utilised amounting to R 726421; the net cash situation as at 30 June 2012 is R 1324061 positive.		
	Other Indicators		
	Possible outflow of resources due the contingent liability disclosed in note 46		

ANNUAL REPORT 2010 – 2011 -MUNICIPALITY SIYATHEMBA MUNISIPALITEIT

APPENDIX A - Unaudited											
SIYATHEMBA MUNICIPALITY											
SCHEDULE OF LONG TERM LIABILITIES AS AT 30 JUNE 2012											
EXTERNAL LOANS	Rate	Ref Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2012
HIRE PURCHASE											
ABSA	10.00%	82003806	2019/02/01	-	-	-	621 248		20 335	20 923	600 325
ABSA	10.00%	82003555	2019/02/28	-	-	-	802 737		19 734	33 151	769 586
ABSA	10.00%	82306558	2019/02/01	-	-	-	837 981		-	-	837 981
Total Hire Purchase				-	-	-	2 261 967	-	40 069	54 074	2 207 893
LEASE LIABILITY											
Fintech (Gestetner)		847799/1	2015/07/01			350 234	-	-	42 787	47 433	302 801
Total Lease Liabilities				-	-	350 234	-	-	42 787	47 433	302 801
TOTAL LONG TERM LIABILITIES				-	-	350 234	2 261 967	-	82 856	101 507	2 510 694

APPENDIX B - Unaudited						
SIYATHEMBA MUNICIPALITY						
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012						
MUNICIPAL VOTES CLASSIFICATION						
2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
884 544	(10 209 444)	(9 324 900)	Executive & Council	1 006 801	(10 433 434)	(9 426 632)
15 841 360	(19 906 393)	(4 065 033)	Budget & Treasury	17 531 766	(18 084 520)	(552 754)
677 965	(1 359 973)	(682 008)	Community and Social Services	991 931	(1 158 989)	(167 058)
233 445	(1 066 562)	(833 117)	Corporate Services	281 733	(1 417 998)	(1 136 264)
9 981 369	(8 126 150)	1 855 219	Electricity	11 088 733	(9 397 781)	1 690 951
-	(2 233)	(2 233)	Health	-	(6 975)	(6 975)
35 254	-	35 254	Housing	39 606	-	39 606
-	(5 224)	(5 224)	Public Safety	-	(569)	(569)
5 667 636	(1 209 245)	4 458 391	Road Transport	2 893 556	(2 494 304)	399 251
8 437 266	(5 020 716)	3 416 549	Planning and Development	10 279 441	(6 996 410)	3 283 031
2 298 360	(2 325 127)	(26 766)	Waste Management	2 116 347	(2 953 178)	(836 831)
5 023 658	(3 362 702)	1 660 956	Waste Water Management	4 622 214	(3 845 289)	776 925
7 618 632	(5 734 275)	1 884 358	Water	11 933 373	(7 087 389)	4 845 984
						-
56 699 489	(58 328 043)	(1 628 555)	Sub Total	62 785 501	(63 876 836)	(1 091 335)
-	-	-		-	-	-
56 699 489	(58 328 043)	(1 628 555)	Total	62 785 501	(63 876 836)	(1 091 335)

APPENDIX C - Unaudited						
SIYATHEMBA MUNICIPALITY						
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012						
GENERAL FINANCE STATISTIC CLASSIFICATIONS						
2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
884 544	(10 209 444)	(9 324 900)	Executive & Council	1 006 801	(10 433 434)	(9 426 632)
15 841 360	(19 906 393)	(4 065 033)	Budget & Treasury	17 531 766	(18 084 520)	(552 754)
233 445	(1 066 562)	(833 117)	Corporate Services	281 733	(1 417 998)	(1 136 264)
8 437 266	(5 020 716)	3 416 549	Planning and Development	10 279 441	(6 996 410)	3 283 031
-	(2 233)	(2 233)	Health	-	(6 975)	(6 975)
677 965	(1 359 973)	(682 008)	Community and Social Services	991 931	(1 158 989)	(167 058)
35 254	-	35 254	Housing	39 606	-	39 606
-	(5 224)	(5 224)	Public Safety	-	(569)	(569)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
2 298 360	(2 325 127)	(26 766)	Waste Management	2 116 347	(2 953 178)	(836 831)
5 023 658	(3 362 702)	1 660 956	Waste Water Management	4 622 214	(3 845 289)	776 925
5 667 636	(1 209 245)	4 458 391	Road Transport	2 893 556	(2 494 304)	399 251
7 618 632	(5 734 275)	1 884 358	Water	11 933 373	(7 087 389)	4 845 984
9 981 369	(8 126 150)	1 855 219	Electricity	11 088 733	(9 397 781)	1 690 951
-	-	-	Other	-	-	-
-	-	-		-	-	-
56 699 489	(58 328 043)	(1 628 555)	Total	62 785 501	(63 876 836)	(1 091 335)

APPENDIX D - Unaudited						
SIYATHEMBA MUNICIPALITY						
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003						
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2011	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2012
	R	R	R	R	R	R
<u>National Government Grants</u>						
Equitable share	-	17 829 000		17 829 000	-	-
Financial Management Grant (FMG)	-	1 450 000		1 160 937	-	289 063
Municipal Infrastructure Grant (MIG)	735 457	10 246 000		-	10 246 000	735 457
Municipal Systems Improvement Grant	-	790 000		790 000	-	-
Department of Water affairs and forestry	46 381	5 544 502		-	5 856 694	-265 810
EPWP Project	3 166	529 000		277 761	-	254 405
<u>Provincial Government Grants</u>						
Project Library	-	580 000		580 000	-	-
Department of Roads - Tarring projects	520 650	1 605 191		1 701 291	-	424 550
Housing Grant	349 669	-		-	-	349 669
	-	-		-	-	-
Total	1 655 323	38 573 694	-	22 338 988	16 102 694	1 787 334

APPENDIX D - Unaudited SIYATHEMBA MUNICIPALITY DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003								
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2010	Correction of Error	Balance 1 JULY 2010	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2011
	R	R	R	R	R	R	R	R
<u>National Government Grants</u>								
Equitable share	-	-	-	15 440 466		15 440 466		-
Financial Management Grant (FMG)	-	-	-	1 200 000		1 200 000		-
Municipal Infrastructure Grant (MIG)	2 867 821	-508 561	3 376 382	5 526 000			8 166 925	735 457
Municipal Systems Improvement Grant	-	-	-	750 000		750 000		-
Department of Water affairs and forestry	-	-	-	344 638		344 638		-
Integrated National Electrification Grant								-
<u>Provincial Government Grants</u>								
Project Library			-	360 000		360 000		-
Department of Roads - Tarring projects			-	6 172 800	-	-	5 652 150	520 650
Housing Grant			-	519 104		169 436		349 669
			-					-
<u>District Municipality Grants</u>								
			-					-
			-					-
			-					-
<u>Other Grants</u>								
LOTTO - Sport field upgrading	-		-					-
EPWP Project	3 166		3 166					3 166
Feasibility study funding	46 381		46 381					46 381
			-					-
			-					-
Total	2 917 368	-508 561	3 425 929	30 313 008	-	18 264 539	13 819 075	1 655 323

SIYATHEMBA MUNICIPALITY				
STATEMENT OF FINANCIAL POSITION				
	Notes	2012	2011	2010 TB
NET ASSETS AND LIABILITIES				
Net Assets		231 927 050.76	233 018 385.89	248 227 720.54
Capital Replacement Reserve	0	0.00	0.00	
Capitalisation Reserve	0	0.00	0.00	
Government Grant Reserve	0	0.00	0.00	
Accumulated Surplus/(Deficit)		231 927 050.76	233 018 385.89	248 227 720.54
Non-Current Liabilities		15 286 299.87	14 117 764.61	19 519.50
Long-term Liabilities	1	2 196 574.77	302 801.11	0.00
Employee benefits	2	13 089 725.10	11 325 370.57	19 519.50
Non-Current Provisions	3	0.00	2 489 592.93	0.00
Current Liabilities		23 657 880.37	12 251 553.73	8 974 416.06
Consumer Deposits	4	483 057.82	450 197.92	385 099.17
Current Employee benefits	5	3 550 582.86	2 751 254.96	992 569.68
Provisions	6	2 760 233.00	0.00	0.00
Payables from exchange transactions	7	14 992 755.98	8 272 280.45	3 598 255.52
Unspent Conditional Government Grants and Receipts	8	2 053 144.43	1 655 322.84	3 426 529.29
Unspent Public Contributions	0	0.00	0.00	
Taxes	0	-1 222 433.39	-1 503 920.88	
Operating Lease Liability	0	0.00	0.00	
Cash and Cash Equivalents	16	726 420.75	578 985.69	571 962.40
Current Portion of Long-term Liabilities	1	314 118.92	47 432.75	0.00
Total Net Assets and Liabilities		270 871 231.00	259 387 704.23	257 221 656.10
ASSETS				
Non-Current Assets		260 568 396.76	254 488 068.86	251 301 484.64
Property, Plant and Equipment	10	260 499 399.16	254 382 254.65	251 186 529.61
Investment Property	0	0.00	0.00	
Intangible Assets	0	0.00	0.00	
Capitalised Restoration cost	0	0.00	0.00	
Non-Current Investments	0	0.00	0.00	
Biological Assets	0	0.00	0.00	
Long-Term Receivables	11	68 997.60	105 814.21	114 955.04
Non-Current Assets held for sale	0	0.00	0.00	0.00
Current Assets		10 302 834.56	4 899 635.62	6 364 495.15
Inventory	12	318 770.55	219 099.52	150 822.47
Receivables from exchange transactions	13	4 314 481.34	2 386 428.53	1 661 781.36
Receivables from non-exchange transactions	14	2 032 396.01	1 224 955.45	4 527 973.59
Unpaid Conditional Government Grants and Receipts	8	265 810.09	0.00	
Operating Lease Asset	15	17 549.27	14 991.17	10 670.27
Taxes	9	1 275 373.09	285 296.57	0.00
Current Portion of Long-term Receivables	11	27 972.30	13 114.73	11 187.46
Cash and Cash Equivalents	16	2 050 481.90	755 749.65	2 060.00
Total Assets		270 871 231.32	259 387 704.48	257 665 979.79

*Municipality
Siyathemba
Munisipaliteit*



Report of the Auditor - General
2011-2012

REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF SIYATHEMBA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Siyathemba Municipality set out on pages 36 to 107, which comprise the statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and the cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2011 (Act No.6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment to the amount of R260 499 399 (2011: R254 382 255), as disclosed in note 10 to the financial statements due to the following:
 - (a) A fixed asset register was not maintained and did not indicate the different classes of assets as disclosed in note 10 to the financial statements. No register was maintained for land and buildings valued at R32 689 905 (2011: R32 902 620) and other assets valued at R9 297 797 (2011: R2 330 648).
 - (b) Sufficient appropriate audit evidence could not be submitted for the deemed cost allocated to property, plant and equipment to the carrying value of R254 382 255 in the prior year.
 - (c) The value of assets as per the fixed asset register and the value of assets disclosed in the financial statements differs with an amount of R278 256 358, the fixed asset register amounted to R496 768 056.
 - (d) Assets to the amount of R23 338 032 were included in the fixed asset register. These assets could however not be located as they were not assigned unique asset numbers or GPS locations.
 - (e) For assets to the amount of R33 716 604 the descriptions, serial numbers and locations as indicated in the fixed asset register were inadequate for identification purposes.

- (f) I were unable to verify assets since debit journal entries to the amount of R11 053 625 were passed to record adjustments to assets for which sufficient appropriate audit evidence for the journal entries were not submitted.
- (g) Sufficient appropriate audit evidence to support additions to property, plant and equipment to the amount of R15 306 821 (2011: R378 834) were not submitted for audit purposes.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment in the financial statements was necessary.

- 5. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item was not depreciated separately as required by SA Standards of GRAP, GRAP 17, *Property, plant and equipment*. Depreciation was not calculated for all assets included in the asset register, however an amount of R9 181 751 were disclosed in note 10.1 for the current year's depreciation and an amount of R36 859 891 disclosed for the opening balance of accumulated surplus. Sufficient appropriate audit evidence was not submitted for the calculation of depreciation on an individual or class of asset basis to the amount of R9 181 751 (2011:R9 305 120).
- 6. Management did not assess whether there were impairment indications on property, plant and equipment during the financial year under review as required by SA Standards of GRAP, GRAP 26, *Impairment of cash-generating assets*.
- 7. Assets amounting to R3 700 111 were incorrectly expensed during the year contrary to the requirements of SA Standards of GRAP, GRAP 1, *Presentation of financial statements*.

Intangible assets

- 8. The municipality did not have adequate systems in place to identify and maintain records of intangible assets, which resulted in intangible assets not being disclosed in the financial statements. I have not determined the correct carrying amount of intangible assets, as in the absence of sufficient appropriate audit evidence it was impracticable to do so. Consequently, I was unable to determine the extent of the adjustment necessary to disclose intangible assets.

Investment Property

- 9. The municipality did not have adequate systems in place to identify and maintain records of investment property, which resulted in investment property not being disclosed in the financial statements. I have not determined the correct carrying amount of investment property, as in the absence of sufficient appropriate audit evidence it was impracticable to do so. Consequently, I was unable to determine the extent of the adjustment necessary to disclose investment property.

Revenue from non-exchange transactions

- 10. I was unable to obtain sufficient appropriate audit evidence regarding revenue from non-exchange transactions of R43 255 119 (2011: R37 324 734) as disclosed in the statement of financial performance due to the following:
 - (a) The reconciliation between the rateable valuation as per the valuation roll and the rates levied was not performed during the current or prior financial years. Certain properties could not be traced to the valuation roll to confirm whether rates and taxes were indeed charged on these properties. Differences were identified between the valuation roll and the values loaded on the system with an amount of R755 184 765. Property transfers and improvements were also not updated on the valuation roll.

- (b) There was no reconciliation performed between the amount received for fines and licenses as per the e-Natis system to the actual amounts recorded in the general ledger to the amount of R39 470.
- (c) Sufficient appropriate audit evidence was not submitted for journal entries to a credit amount of R16 102 694 and a debit amount of R256 649 (2011: R280 605) recorded against revenue from government grants and subsidies.
- (d) Sufficient appropriate audit evidence to substantiate property rates to the amount of R4 687 033 were not submitted for audit purposes.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustment relating to revenue from non-exchange transactions in the financial statements was necessary.

11. In addition, property rates were charged to clients at incorrect rates resulting in the understatement of property rate income and receivables from non-exchange transactions to the amount of R235 859.

Revenue from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence regarding revenue from exchange transactions disclosed as R19 530 382 (2011: R19 374 755) in the statement of financial performance due to:
- (a) A direct income register is not kept by the municipality; I am therefore unable to confirm whether all direct income was recorded.
 - (b) Sufficient appropriate audit evidence (meter reading books for both water and electricity services as well as the billing history for sewage and refuse removal) were not submitted for audit purposes to substantiate service charges to the amount of R15 861 856.
 - (c) No connection register was kept in order to ensure that all revenue received for new and re-connections to the amount of R115 922 were recorded.
 - (d) The service level agreement between the municipality and the Department of Safety and Liaison for the recovery of licenses and permits managed on behalf of the department could not be obtained. I am therefore unable to confirm the completeness and accuracy of agency fees to the amount of R1 126 540 (2011:R296 131).
 - (e) Registers, reconciliations and renewals were not submitted to confirm that all revenue for leases was recorded in the general ledger.
 - (f) Sufficient appropriate audit evidence was not submitted for journals to a credit value of R13 700 091 and a debit value of R608 827.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to revenue from exchange transactions in the financial statements was necessary.

13. In addition, revenue received from prepaid electricity sales was not deferred and recognised as revenue on the consumption basis, commencing on the date of purchase as required by SA Standards of GRAP, GRAP 9, *Revenue from exchange transactions*. The amount of prepaid electricity sold could not be determined.
14. Lease revenue was not straight-lined as required by SA Standards of GRAP, GRAP 13, *Leases*. This resulted in the understatement of lease revenue and operating lease assets to the amount of R87 977.

Employee related cost

15. I was unable to obtain sufficient appropriate audit evidence regarding employee cost including councillors remuneration amounting to R26 274 950 (2011: R22 867 055) disclosed in note 22 and 23 to the financial statements due to:
- (a) A difference amounting to R902 970 (2011: R725 692) was identified between the general ledger and the salary system as reconciliations were not performed. This difference could not be explained or re-calculated due to a lack of supporting documentation.
 - (b) Employment contracts, payslips, appointment letters, timesheets, approved deductions, clock cards or attendance registers were not submitted for salaries and wages amounting to R2 491 746 (2011: R2 557 192).
 - (c) 11 Employees could not be physically verified during the audit. I could not confirm the occurrence of employee cost to the extrapolated amount of R2 146 733 and not all requested employee contracts were submitted for audit purposes. Four waged employees could not be physically verified during the prior year.
 - (d) Sufficient appropriate audit evidence authorising travel allowances to management and councilors amounting to R410 926 were not submitted for audit purposes. The authorisation for the increase in the salary paid to the Municipal Manager was not obtained to confirm if the increase was authorised. Travel claims paid to the management to the amount of R36 736 were not approved.
 - (e) Sufficient appropriate audit evidence authorising certain allowances of the 2010/2011 financial year amounting to R601 893 paid to employees and councilor for travel allowances that exceeded the authorised amounts according to the *Government Gazette* could not be obtained.
 - (f) Sufficient appropriate audit evidence could not be submitted for the salary suspense account amounting to R1 338 342.
 - (g) Sufficient appropriate audit evidence could not be submitted for credit journal entries recorded against employee cost to the amount of R69 808.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to employee related cost in the financial statements was necessary.

16. In addition, the accrual for leave pay was incorrectly calculated due to the incorrect leave days being used in the calculation. This resulted in the overstatement of employee cost and leave accrual to an amount of R334 348.
17. The remuneration of the key management personnel was not accurately disclosed in the annual financial statement as required by Section 124 of the MFMA. Allowances and benefits of political office-bearers and councillors of the municipality differ with an amount of R152 491 to the statement of financial performance.
18. Municipal employees are not remunerated at the payment scales according to their signed employment contracts. This result in the overstatement of employee cost and the understatement of receivables to the amount of R1 461 791.
19. Councillors' remuneration exceeded the upper limits as set per the Remuneration of Public Office Bearers' Act, Act no. 20 of 1998. This result in the overstatement of employee cost and the understatement of receivables to the amount of R6 697 (2011:R46 225).

Operating Expenditure

20. I was unable to obtain sufficient appropriate audit evidence regarding operating expenditure disclosed as R25 344 978 (2011: R20 688 096) in the statement of financial performance due to:

- (a) Sufficient appropriate audit evidence for expenditure transactions to an amount of R23 576 824 (2011: R6 909 672) was not submitted for audit purposes.
- (b) Sufficient appropriate audit evidence for credit notes recorded against expenditure to the amount of R2 916 761 was not submitted for audit purposes.
- (c) Sufficient appropriate audit evidence for debit journal entries to an amount of R13 656 818 and credit journal entries to the amount of R11 956 176 (2011: R8 683 573) was not submitted for audit purposes.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to operating expenditure in the financial statements was necessary.

21. In addition, input VAT was not claimed on all qualifying expenditure in certain instances and on non qualifying expenditure in other instances. This resulted in operating expenditure being overstated and the VAT receivable understated by R435 528 (2011: R7 197).

Employee benefits

22. I was unable to obtain sufficient appropriate audit evidence regarding employee benefits amounting to R13 089 725 (2011: R11 325 371) as disclosed in note 2 to the financial statements due to the following:
- (a) The municipality could not provide the number of employees which are entitled to post employee benefits.
 - (b) Not all leave forms were submitted for audit purposes; therefore I could not confirm the leave accrual to the amount of R1 821 316 (2011: R844 001).
 - (c) Sufficient appropriate audit evidence was not submitted for the non-current employee benefits disclosed to the amount of R19 520 in the prior year.
 - (d) Sufficient appropriate audit evidence was not submitted for credit journals to an amount of R389 228 recorded against employee benefits.
 - (e) The manual list of leave balances as at year-end was not reconciled to the general ledger for the calculation of the leave accrual.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to employee benefits in the financial statements were necessary.

23. In addition, comprehensive disclosure was not made in the notes to the financial statements for the expenses incurred and assumptions made for the calculation of employee benefits as required by SA Standards of GRAP, GRAP 25, *Employee benefits*.
24. The accrual for leave payout was not calculated as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. Incorrect leave balances were used for certain employees. Consequently, the leave accrual and employee cost are overstated by R322 771 (2011: R147 887). Furthermore the back pay provision was incorrectly calculated using incorrect hourly rates. Employee cost and the back pay provision are further overstated by an amount of R227 394 respectively.

Payables from exchange transactions

25. I was unable to obtain sufficient appropriate audit evidence regarding payables from exchange transactions amounting to R14 992 756 (2011: R8 272 280), as disclosed in note 7 to the financial statements due to:

- (a) Sufficient appropriate audit evidence was not obtained for payables amounting to R1 805 493 (2011: R6 028 621).
- (b) Sufficient appropriate audit evidence was not obtained for the cash suspense account classified as payables to the amount of R1 452 692.
- (c) The service level agreement between the municipality and the Department of Safety and Liaison was not submitted for audit purposes.
- (d) Sufficient appropriate audit evidence for payments made after year-end to confirm if these transactions were recorded in the correct financial year to an amount of R306 066 for the prior year was not submitted for audit purposes.
- (e) Sufficient appropriate audit evidence was not obtained for debit journal entries to the amount of R19 713 620 (2011:R1 827 390) and credit journal entries to the amount of R1 793 347 passed in trade payables.
- (f) Sufficient appropriate audit evidence was not submitted for debit transactions amounting to R1 990 069 (2011: R1 455 813) recorded for payables.
- (g) Sufficient appropriate audit evidence was not submitted for suspense accounts amounting to R1 392 458 (2011: R1 113 206).
- (h) A difference of R1 228 700 between the balance as per creditors listing and the balance disclosed in the annual financial statements were identified. Monthly creditor reconciliations from the general ledger to the supplier statements and invoices were not performed during the year.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to payables from exchange transactions in the financial statements were necessary.

- 26. In addition, the nature of the reclassification error disclosed in note 33.3 to the financial statements was not disclosed for adjustments made to the third party payment balance of R380 948 and the reclassification of R909 053 thereto as required by SA Standards of GRAP, GRAP 3, *Accounting policies, changes in accounting estimates and errors*.
- 27. Transactions are in certain instances not recorded as they occur as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. A payment was identified on the bank reconciliation as a reconciling item which was already cancelled in the general ledger. This resulted in the understatement of payables and cash and cash equivalents to the amount of R195 009.

Receivables from exchange transactions

- 28. I was unable to obtain sufficient appropriate audit evidence regarding receivables from exchange transactions amounting to R4 314 481 (2011: R2 386 429) as disclosed in note 13 to the financial statements due to:
 - (a) Sufficient appropriate audit evidence for debit journals to the amount of R2 494 950 and credit journals to the amount of R227 916 were not submitted for audit purposes.
 - (b) Sufficient appropriate audit evidence for receivables to the amount of R22 708 953 (2011: R 1 294 591) was not obtained.
 - (c) Sufficient appropriate audit evidence was not submitted to substantiate the impairment calculations of receivables to the amount of R17 641 456.
 - (d) Sufficient appropriate audit evidence for indigent debtor application forms was not submitted.
 - (e) Signed leased contracts for rentals to the amount of R47 906 were not submitted for audit purposes.
 - (f) Sufficient appropriate audit evidence was not submitted for a prior period error recorded in the 2010/2011 financial year amounting to R191 734.

- (g) The service level agreement between the municipality and the Department of Safety and Liaison for the recovery of licenses and permits managed on behalf of the municipality was not obtained.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to receivables from exchange transactions in the financial statements were necessary.

29. A difference of R1 264 355 exists between the debtors listing and the amount disclosed on the financial statements for which no supporting documentation was provided by management.
30. The impairment of debtors was not performed on an individual basis as required by SA Standards of GRAP, GRAP 104, *Financial instruments*. This resulted in receivables being understated and the impairment of receivables overstated by an unknown amount.
31. Payables with debit balances amounting to R1 990 069 were not reclassified as receivables as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. This result in the understatement of both receivables and payables by this amount.

Receivables from non-exchange transactions

32. I was unable to obtain sufficient appropriate audit evidence regarding receivables from non-exchange transactions amounting to R2 032 396 (2011: R1 224 955) as disclosed in note 14 to the financial statements due to:
- (a) Sufficient appropriate audit evidence was not submitted for the difference between the debtors listing and the amount disclosed in note 14 to the financial statements amounting to R1 014 452.
 - (b) Sufficient appropriate audit evidence was not submitted for non-exchange receivables to the amount of R11 849 728 and the impairment thereof to the amount of R9 817 332.
 - (c) Sufficient appropriate audit evidence was not submitted for a suspense account in the prior year amounting to R11 948.
 - (d) Reconciliations between the grants allocated according to the Government Gazette, the amount received and the amount recorded in the financial system were not performed.
 - (e) Sufficient appropriate audit evidence was not submitted for a prior period error recorded in the 2010/2011 financial year amounting to R199 407.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to receivables from non-exchange transactions in the financial statements were necessary.

33. Property rates were not charged to consumers at correct rates. This resulted in the understatement of property rates and receivables to the amount of R235 859.

Value-added tax

34. I was unable to obtain sufficient appropriate audit evidence regarding value added tax as disclosed in note 9 to the financial statements amounting to R2 497 806 (2011: R1 789 217 due to:
- (a) Sufficient appropriate audit evidence was not submitted for transactions for output VAT (credit transactions) to the amount of R491 228 and input VAT (debit transactions) to the amount of R2 601 397 (2011: R521 584). The VAT calculations and VAT201 returns were not submitted for all the periods in the 2011/2012 financial year.

- (b) Sufficient appropriate audit evidence was not submitted for the difference of R454 050 (2011: R504 264) between the output VAT as per VAT201 returns and the recalculation of VAT output according to the financial records.
- (c) No reconciliation was performed between the balance as per the VAT201 return payable at the end of the financial year and the VAT receivable as per the financial statements. Sufficient appropriate audit evidence was not submitted for the difference of R688 884 between the amount disclosed in the financial statements and the amount as per the VAT201 return.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to value added tax in the financial statements was necessary.

35. Input VAT was not claimed on all qualifying expenditure. This resulted in operating expenditure being overstated and the VAT receivable understated by R549 445 (2011: R7 197).

Provisions

36. The provision for landfill site was incorrectly disclosed as a current provision instead of a non-current provision and the provision was incorrectly debited to the accumulated surplus account instead of capitalising it against property plant and equipment as required by SA Standards of GRAP, GRAP 1, *Presentation of Financial Statements*. Current provisions and accumulated surplus are thus overstated by R2 760 233 and non-current provisions and property, plant and equipment understated by the same amount.

Unspent conditional government grants and receipts

37. I was unable to obtain sufficient appropriate audit evidence regarding unspent conditional government grants and receipts amounting to R2 053 144 (2011: R1 655 323), as disclosed in note 8 to the financial statements due to:
- (a) Sufficient appropriate supporting documentation was not submitted for debit journal entries recorded against unspent conditional grants amounting to R16 102 694.
 - (b) There was no reconciliation performed between the amount allocated for government grants to the municipality as per the Government gazette and the actual amounts received. I could therefore not verify the completeness of unspent grants.
 - (c) A grant register that reconciles to the amounts as disclosed in note 8 for unspent grants were not submitted for audit purposes.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to unspent conditional government grants and receipts in the financial statements were necessary.

Cash and cash equivalents

38. I was unable to obtain sufficient appropriate audit evidence regarding cash and cash equivalents amounting to R2 050 482 (2011: R755 750) disclosed in note 16 to the financial statements due to:
- (a) The cash suspense account with a balance of R1 452 692 (2011: R11 947) was not properly reconciled nor could sufficient appropriate audit evidence be submitted for the balance.
 - (b) The bank reconciliation submitted for audit purposes did not reconcile to the bank balance disclosed in the financial statements to an amount of R195 009.

- (c) Sufficient appropriate audit evidence was not submitted for prior year debit journals to the amount of R21 525 and credit journals to the amount of R18 696 recorded against cash and cash equivalents.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to cash and cash equivalents in the financial statements were necessary.

39. Note 16 to the financial statements states that: "The Municipality does not have a bank overdraft facility with ABSA as at 30 June 2012". However note 16 also indicate that the balance of the primary bank account is a liability of R328 404. Therefore the disclosure is contradicting.

Contingent liabilities

40. I was unable to obtain sufficient appropriate audit evidence regarding contingent liabilities for the amount of R675 000. Furthermore, the disclosure of contingent liabilities in note 46 to the financial statements is overstated by an amount of R1 495 000. The amount was double counted in the disclosure note. Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustment relating to contingent liabilities in the financial statements was necessary.

Irregular expenditure

41. I was unable to obtain sufficient appropriate audit evidence regarding irregular expenditure amounting to R28 879 596 (2011: R15 501 699) as disclosed in note 39.3 to the financial statements. The limitation imposed by the lack of supporting documentation for the procurement of assets and expenditure did not enable me to determine whether all irregular expenditure was identified for the current or the prior year, nor could I determine the value thereof. Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure in the financial statements was necessary.

Unauthorised Expenditure

42. I was unable to obtain sufficient appropriate audit evidence regarding unauthorised expenditure amounting to R53 520 421 (2011: R33 511 219) as disclosed in note 39.1 to the financial statements due to:
- (a) The limitations identified in the expenditure and budget paragraphs did not enable me to confirm that all unauthorised expenditure was disclosed in the financial statements.
 - (b) Sufficient appropriate audit evidence was not submitted for an adjustment made to the 2011 opening balance amounting to R1 703 049. (Prior year AR)

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to unauthorised expenditure in the financial statements were necessary.

43. Management did not monitor and efficiently manage the budget allocations and the adjustment budget process, the unauthorised expenditure as disclosed in note 39.1 was understated by R657 706.
44. Individual votes as disclosed in note 38.1 were overspent with an amount of R20 009 023.

Fruitless and Wasteful expenditure

45. I was unable to obtain sufficient appropriate audit evidence regarding fruitless and wasteful expenditure amounting to R925 423 (2011: 922 400) as disclosed in note 39.2 to the financial statements due to:

- (a) A system to identify and account for fruitless and wasteful expenditure is not in place.
- (b) The limitations identified in the expenditure and budget paragraphs did not enable me to confirm that all fruitless and wasteful expenditure was disclosed in the financial statements.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to fruitless and wasteful expenditure in the financial statements was necessary.

46. Interest and penalties incurred during the year to the amount of R486 614 (2011: R81 236) was not disclosed as fruitless and wasteful expenditure in the notes to the financial statements as required by Section 125 (2) (d) of the MFMA.
47. A misstatement in the disclosure of fruitless and wasteful expenditure was identified. The disclosure in note 39.2 to the financial statements is incorrect due to the opening balance of R420 582 being included twice in the closing balance.

Operating lease asset

48. I was unable to obtain sufficient appropriate audit evidence for the restatement in the corresponding figure of operating lease assets. As described in note 33 to the financial statements, the restatement of R3 140 was made in order to rectify a prior year misstatement. I was unable to confirm the restatement by alternative means. Consequently I was unable to determine whether any adjustments to the operating lease asset corresponding figure were necessary.

Inventory

49. I was unable to obtain sufficient appropriate audit evidence regarding inventory of R318 771 (2011: R219 100), as disclosed in note 12 to the financial statements due to:
- (a) A proper system together with supporting documentation to record the receipt and issue of inventory was not maintained during the current or prior year.
 - (b) A proper system together with supporting documentation to record and identify slow moving or obsolete stock is not maintained during the current or prior year.
 - (c) An inventory listing supporting the amount of R318 771 (2011: R219 100) as disclosed in note 12 to the financial statements was not submitted.
 - (d) Differences identified during the stock take and corrections made by the municipality in the accounting records were not submitted for audit purposes.
 - (e) Sufficient appropriate audit evidence was not submitted for unsold erven held by the municipality, the amount of the unsold erven was not determined.
 - (f) Sufficient appropriate audit evidence was not obtained to ensure that inventory was measured in accordance with the accounting policy as set out in the accounting policy notes.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to inventory in the financial statements was necessary.

50. The description included for inventory in the notes to the financial statements for both the current and prior year reflects that inventory consists only of pre-paid electricity meters. Other inventory items were identified during the inventory count of the 2010/2011 and 2011/2012 financial years that were not only limited to pre-paid

electricity meters and that should have been included in inventory as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. Inventory identified during the prior year amounting to R528 584 were not recognised in the inventory listing or in the financial statements.

Consumer deposits

51. The completeness of consumer deposits as disclosed in note 4 to the financial statements amounting to R483 058 (2011: R450 198), could not be confirmed as consumers were identified for which no deposit was included in the consumer deposit listing nor were any explanations obtained. The municipality's records did not permit the application of alternative procedures or enable me to determine the total extent of the error.

Budget disclosures

52. I was unable to obtain sufficient appropriate audit evidence regarding the budget disclosures, as disclosed in note 38 to the financial statements, as the final council-approved budget did not agree to the budgeted figures included in the financial statements. Due to the limitations indicated in this report, the extent of the error could not be determined. The municipality's records did not permit the application of alternative procedures.

Commitments

53. The completeness of commitments was not confirmed as a contract and tender register was not submitted for audit purposes. The municipality's records did not permit the application of alternative procedures.

Cash flow statement

54. The accuracy of the cash flow statement for the current and prior year as required by SA Standards of GRAP, GRAP 2, *Cash flow statements* was not confirmed due to the limitations imposed by the lack of sufficient appropriate audit evidence as included in this report.

Material losses

55. No material losses were included in the financial statements for the current or prior year as required by section 125(2)(d) of the MFMA. The completeness of material losses was not confirmed as water consumption from reservoirs and electricity units sold and purchased during the year were not available. Due to the limitation imposed by the system and the lack of supporting documentation, the total extent of the error could not be determined and alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments to the material losses figure were necessary.

Long-term receivables

56. I was unable to obtain sufficient appropriate audit evidence regarding long-term receivables amounting to R105 814 in the prior year as disclosed in note 11 to the financial statements. Sufficient appropriate audit evidence was not submitted for the debtor's loan agreements to the amount of R372 464 in the prior year. The lack of documentation did not enable me to determine the extent of the error or to perform alternative procedures.

Accumulated surplus

57. I was unable to obtain sufficient appropriate audit evidence regarding the accumulated surplus amounting to R231 927 051 (2011: R233 018 386) as disclosed in the statement of financial performance due to:

- (a) Sufficient appropriate audit evidence was not submitted for transactions to the amount of R178 883 processed to accumulated surplus during the year under review.
- (b) Sufficient appropriate audit evidence was not submitted for debit journals entries amounting to R218 103 and credit journal entries amounting to R191 734 in the prior period.

Alternative procedures could not be performed. Consequently, I was unable to determine whether any adjustments relating to accumulated surplus in the financial statements was necessary.

Disclaimer of opinion

60. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

61. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

62. With reference to note 46 to the financial statements, the municipality is the defendant in two separate lawsuits. The municipality is opposing the claims as it believes the claims are not valid. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

63. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the financial year ended 30 June 2012 in the financial statements of Siyathemba Local Municipality at, and for the year ended, 30 June 2012.

Financial sustainability

64. Note 48 to the financial statements indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern. The following conditions, along with other matters as set forth indicate the existence of a material uncertainty:

- (a) The municipality experienced serious difficulties with regard to debt collection. Debtors amounting to R26 706 202 (85%) (2011: R23 842 920) (89%) had been outstanding for more than 90 days.
- (b) The municipality did not settle all trade creditors within 30 days as required by section 65(2) (e) of the MFMA.

(c) The Statement of Financial Performance indicates that the Siyathemba Local Municipality incurred a net deficit of R1 091 335 (2011:R1 628 555)

65. Owing to management not implementing sufficient controls as well as the extent of differences and uncertainties identified during the audit, material irregularities might exist at Siyathemba Local Municipality that will not be prevented or identified by the system of internal control and that would not have been identified during the audit due to the material limitations placed on the scope of the audit.

Material impairments

66. As disclosed in note 13 and 14 to the financial statements, material impairments to the amount of R27 458 788 (2011: R25 108 251) were made as a result of possible irrecoverable trade receivables.

Material underspending of budget

67. As disclosed in note 38 to the financial statements, the municipality has materially underspent the budget to an amount of R6 142 688. The community and social services vote was underspent by R636 361, the electricity vote by R2 702 630, the planning and development vote by R11 561 879 and the water vote by R358 911.

Additional matters

68. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unaudited supplementary schedules

69. The supplementary information set out on pages 68 to 72 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Material inconsistencies in other information included in the annual report

70. The annual report had not been received at the date of this report; as a result, a conclusion was not drawn on the consistency of the financial statements and the audit report with other information included in the annual report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

71. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

72. I am unable to report findings on the usefulness and reliability of the annual performance report of Siyathemba Local Municipality as it was not prepared as required by section 46 of the Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA) and the MFMA section 121(3)(c).

Compliance with laws and regulations

73. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

74. The municipality did not give effect or conduct affairs consistently with the adopted integrated development plan as no performance management system was implemented as required by the MSA section 36.
75. The municipality did not establish mechanisms to monitor and review its performance management system, as required by the MSA section 40.
76. The municipality does not have a performance management system in place and does not have mechanisms in place to monitor and review the system as required by the MSA section 38 and 40.
77. The municipality did not set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan as required by the MSA section 41 of.

Budgets

78. Expenditure was incurred that was not budgeted for and in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of the MFMA section 15.
79. Quarterly reports were not submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by the MFMA section 52(d).

Annual financial statements, performance and annual report

80. The 2010/11 annual report of the municipality was not tabled in the municipal council within seven months after the end of the financial year as required by the MFMA section 127.
81. The municipal council did not adopt an oversight report, containing comments on the 2010/11 annual report, within two months from the date on which the 2011/06 annual report was tabled, as required by the MFMA section 129(1).
82. The accounting officer did not make public the council's oversight report on the 2010/11 annual report within seven days of its adoption, as required by the MFMA section 129(3).
83. The annual performance report for the year under review does not include the performance of the municipality as required by the MSA section 46 (1)(a).

Audit Committee

84. An audit committee was not in place, as required by the MFMA section 166(1).
85. A performance audit committee was not in place and the audit committee established in terms of the MFMA section 166(1) was not used for this function, as required by Municipal Planning and Performance Management Regulation 14(2)(a).

Internal Audit

86. Internal audit did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by the Municipal Planning and Performance Management Regulation 14.

Procurement and Contract Management:

87. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by SCM regulation 17(a) & (c).
88. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids, as required by SCM regulation 19(a).
89. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a).
90. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).
91. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) & 22(2).
92. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2).
93. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by SCM Regulations 21(b) and 28(1)(a) and Preferential Procurement Regulations.
94. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
95. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
96. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
97. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by of section 2(1)(f) of Preferential Procurement Policy Framework Act.
98. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).
99. Sufficient appropriate audit evidence could not be obtained that contract and quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order as required by SCM regulation 43.
100. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who submitted a declaration on whether they

are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Expenditure management

101. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, contrary to the requirements of the MFMA section 65(2)(e).
102. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place as required by the MFMA section 65(2)(a).
103. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, accounted for creditors or accounted for payments made, as required by the MFMA section 65(2)(b).
104. The accounting officer did not take reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure and other losses as required by the MFMA section 62.
105. The municipality did not perform any investigation or follow up on unauthorised, irregular and fruitless and wasteful expenditure. Unauthorised, irregular and fruitless and wasteful expenditure was therefore not recovered from the liable person, as required by the MFMA section 32(2).

Transfer of funds and conditional grants

106. Sufficient appropriate audit evidence could not be obtained that the allocations were utilised for purposes other than those stipulated in the grant framework in contravention of the DoRA section 15(1).

Revenue management

107. A tariff policy on the levying of fees for municipal services provided by the municipality was not adopted as required by the MSA section 74(1) and the MFMA section 62(1)(f)(i).
108. A credit control and debt collection policy was not adopted as required by the MSA section 96(b) of and the MFMA section 62(1)(f)(iii).
109. A policy on the levying of rates on rateable property within the municipality was not adopted as required by section 3(1) of the Property Rates Act and the MFMA section 62(1)(f)(ii) of.
110. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors, accounted for receipts of revenue as required by the MFMA section 64(2)(e).
111. Sufficient audit evidence could not be obtained that interest had been charged on all accounts in arrears, as required by the MFMA section 64(2)(g).
112. Sufficient audit evidence could not be obtained that revenue had been reconciled on a weekly basis, as required by the MFMA section 64(2)(h).

Asset and liability management

113. Immovable property was not sold at market related prices as required by the Municipal Asset Transfer Regulation section 12(1) (GNR.878 of 22 Aug 2008) and the Municipal Supply Chain Management Regulation section 40(2)(b) during the 2009 financial year.
114. An adequate management, accounting and information system which accounts for assets was not in place, as required by the MFMA section 63(2)(a).
115. An effective system of internal control for assets (including an asset register) was not in place, as required by the MFMA section 63(2)(c) and 96(2)(b).

116. Short-term debt was not repaid within the financial year, as required by the MFMA section 45(4)(a).

Human resource management

117. Sufficient appropriate audit evidence could not be obtained that appointments were only made in posts which were provided for in the approved staff establishment of the municipality, as required by the MSA section 66(3).
118. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by the MSA section 66(1)(b).
119. Sufficient appropriate audit evidence could not be obtained that the municipality appointed managers directly accountable to the municipal manager who was not dismissed for financial misconduct after expiry of 10 years.
120. An approved staff establishment was not in place, as required by the MSA section 66(1)(a).
121. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by the MSA section 57(2)(a).

Internal control

I considered internal control relevant to my audit of the financial statements, and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion.

Leadership

122. The following challenges were experienced that contributed to the weaknesses in the financial environment and the ultimate audit outcome:
- (a) Personnel had not been allocated specific duties and responsibilities to facilitate the continuous monitoring of internal controls.
 - (b) The leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in turn, resulted in irregular, fruitless and wasteful as well as unauthorised expenditure.
 - (c) Leadership did not regularly monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

Financial and performance management

123. The municipality did not have individuals who sufficiently understood the financial reporting framework and performance and financial management requirements with the result that the municipality engaged a consultant to assist in the compilation of the general ledger and financial statements. The underlying accounting records of the municipality did not facilitate the preparation of the financial statements to comply with the accounting framework.
124. Manual or automated controls were not designed to ensure that the transactions had occurred, were authorised, and were completely and accurately processed. Documentation supporting amounts disclosed in the financial statements was not always available.
125. Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on

performance information. Consequently, performance systems, processes and procedures had not been designed and implemented.

Governance

126. The risk of material misstatement due to fraud was not considered. Sufficient controls and segregation of duties to prevent or detect fraudulent data and asset misappropriation were not implemented and maintained.
127. The municipality did not respond to the assessed risks by determining a risk strategy and action plan to manage identified risks. Consequently, internal controls were not selected and developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.
128. The financial statements were subject to material misstatements resulting from the audit, which can be attributed to the lack of risk assessments, weaknesses in the design and implementation of internal control in respect of financial management and financial reporting, and weaknesses in the information systems.
129. The accounting officer did not prioritise the establishment of a fully functioning performance audit committee and audit committee and therefore the functions were not established and functional during the financial year. This also resulted in the committees not being able to fulfil all their responsibilities.

OTHER REPORTS

Investigations

130. A fraud investigation was requested by external parties responsible for governance of the municipality. This report has not been submitted at the date of this audit and the outcome of the investigation is unknown.

Kimberley

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence